TECHNOLOGY DEPARTMENT

Collections by Telephone—page 13

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December, 1927

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CREDIT MONTHLY

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CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

RODMAN GILDER, Editor

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Seligman Approves Instalment Credit

THE economic soundness of instalment credits has been doubted by many. Some striking conclusions on this much debated subject have been drawn by Edwin R. A. Seligman, professor of political economy at Columbia University. At a dinner at the Ritz-Carlton, New York, given in his honor November 17, before about 500 business and professional leaders, including leaders of the credit fraternity, revealed the results of 15 months exhaustive research on instalments conducted by himself and a large corps of assistants. This work was financed by the General Motors Corporation, under the condition that Professor Seligman have entire freedom of inquiry and judgment.

His conclusions are that instalment selling is an economically sound method of financing; that it has proved itself one of the most powerful factors in creating the present prosperity of the United States; that it has increased production, stabilized output, and increased purchasing power; that there are no greater risks attending consumers' credits than producers' credits, if properly administered; that a business depression would not be intensified by outstanding consumers' credits; that a study of conditions during an almost absolute business depression. caused by a coal strike in eastern Pennsylvania, even showed certain advantages in instalment credit over bank credit, because bankers are forced to continue extending credits of doubtful soundness, whereas the volume of outstanding instalment paper diminishes constantly.

Research showed that the finance company should be a dispenser of credit, and not a seller of automobiles. The same principles used in all credit practices apply to consumer's credit. Professor Seligman declared that individual credit is going through the same phases as every preceding form of credit, ending with the recognition of its value as a part of the modern economy.

The report was prefaced with a discussion by John W. Raskob. chairman of the finance committee of General Motors Corporation, who pointed out that in the automobile industry the percentage of cars sold on the instalment basis is estimated as about 60,—not, as it is generally supposed, from 70 to 75 per cent. He ascribed the present greatness of the motor industry of the United States to its use of credit.

"The Economics of Instalment Selling—A Study in Consumers' Credit (with Special Reference to the Automobile)." Vol. I, 372 pp.; Vol. II, 323 pp. By Edwin R. A. Seligman, Mac Vickar Professor of Political Economy, Columbia University. Harper & Bros., N. Y. To be reviewed by Dr. Frank A. Fall in an early issue of the Credit Monthly

Of interest to Credit Manager and customer alike

Fire insurance is one of the essentials in the business-building force of credit and in that capacity is working for creditor and debtor alike, not only when a fire occurs *BUT ALL THE TIME.*

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Liabilities	14,242,433
Net Surplus	7,155,586
Surplus to Policyholders	10,155,586

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"It's All Your Own Fault!"

OVER the desk of an architect,—who has designed scores of beautiful and practical buildings,—I noticed the other day a typewritten card reading, "It's All Your Own Fault!"

"Is that addressed to your clients or yourself," I asked.

"Oh, to myself," he answered. "I took a long walk in the country last Sunday and went over in my mind all the grief that I had met with in my profession during the past year or so——"

"A pleasant occupation!" I remarked.

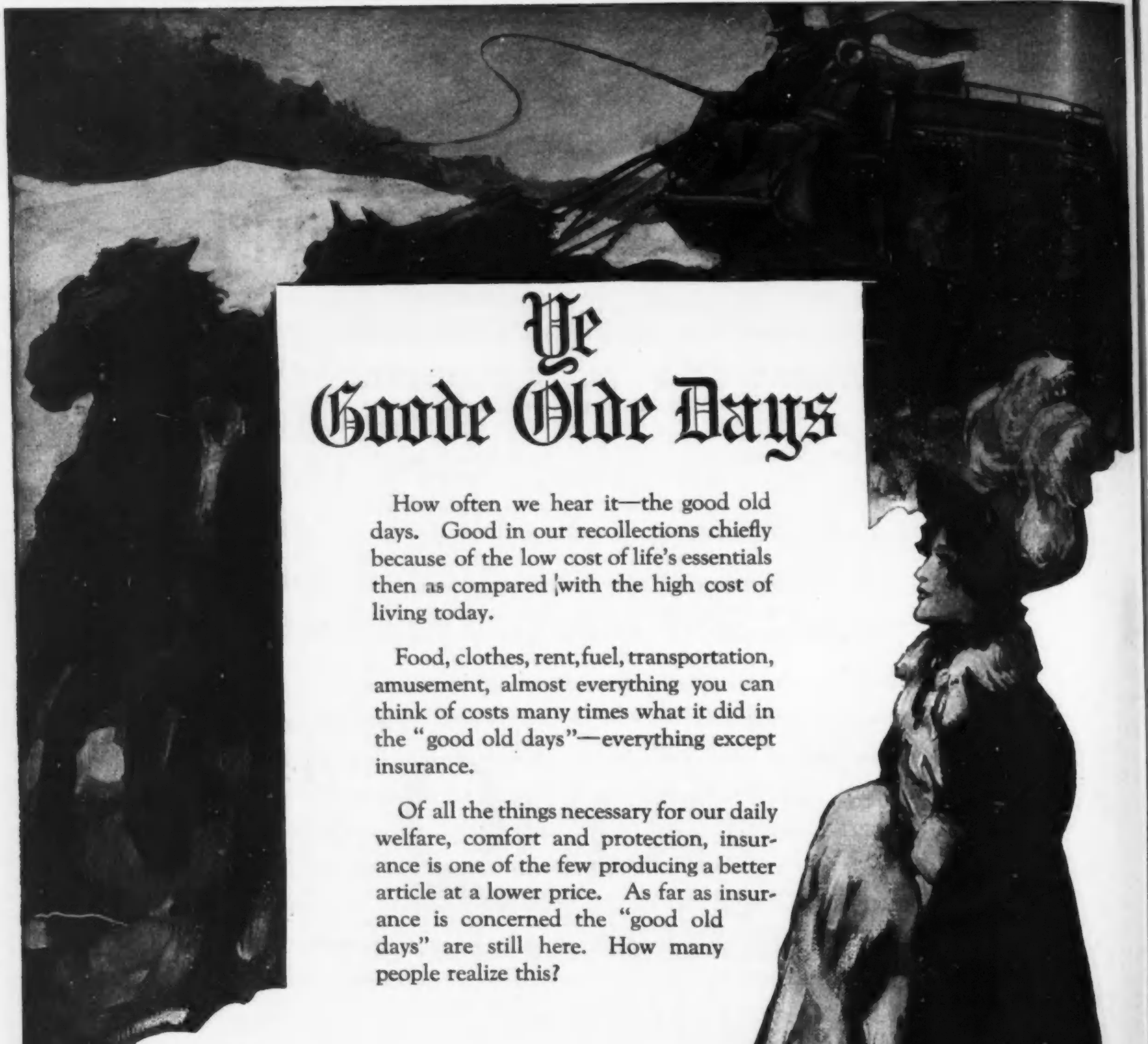
"Not very pleasant," he admitted, "but illuminating. Being entirely alone and in a candid state of mind, I took up each incident and figured out how many of my troubles might have been avoided by foresight or even plain common sense on my part. The result was even more painful than I suspected it would be. I found that in only two minor instances it was possible for me honestly to blame someone else (over whom I had no control) for the grief that had occurred. Sometimes I came near to blaming the client, but thought better of it because if I had been sufficiently persuasive, I could have got the client to behave differently.

"In cases where contractors had been the immediate cause of the trouble, I decided that the fault was really mine, sometimes because I had chosen the wrong contractor, and sometimes because I had not kept after him hard enough."

As I left the office of my friend, the architect, I decided that his wall motto, "It's All Your Own Fault!" would be a particularly appropriate one for several men I know,—including possibly myself.

Rodman Gilder

Editor.


Ye Goode Olde Days
How often we hear it—the good old days. Good in our recollections chiefly because of the low cost of life's essentials then as compared with the high cost of living today.
Food, clothes, rent, fuel, transportation, amusement, almost everything you can think of costs many times what it did in the "good old days"—everything except insurance.
Of all the things necessary for our daily welfare, comfort and protection, insurance is one of the few producing a better article at a lower price. As far as insurance is concerned the "good old days" are still here. How many people realize this?
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CREDIT MONTHLY

Vol. XXIX DECEMBER, 1927 No. 12

"The Continuing Clause"

Decision Affecting Value in Financial Statements

By E. Paul Phillips

Eastern Business Manager, and Manager Adjustment Bureau Department, N. A. C. M.

FINANCIAL or property statements are an important factor in commercial credit. They have played a big part in the wide expansion of credit in American Business.

One of the chief problems of the Credit Department has been that of obtaining frequent financial statements from customers. When the National Association of Credit Men prepared and recommended a financial statement form with a "continuing clause,"—which provided that the statement was to be used as the basis of *future* credit as well as *present* and placed upon the debtor the burden of notifying the creditor of material changes in his financial condition,—it was believed a happy solution had been found for one of the chief problems of the Credit Department. It was felt that the "continuing clause" made it unnecessary for the Credit Department to obtain new statements each year because a statement containing such clause was automatically brought up to date every time the maker purchased merchandise on credit.

On October 18, 1927, a decision was rendered by the United States Circuit Court of Appeals, Fourth District, in the case of the International Shoe Company *vs.* T. L. Kahn, which affects materially the value of the "continuing clause". In this case the Court affirmed the decision of the District Court that the discharge of the bankrupt should not be denied under Section 14-B of the Bankruptcy Act on the grounds that the bankrupt had given his creditors a statement containing a "continuing clause" upon one date which was acted upon at a later date when the financial condition of the bankrupt had become materially changed and the creditor had not been notified in accordance with the provision of the "continuing clause".

> **A Word to the Wise Credit Manager**
>
> **"IT is recommended that creditors, when extending credit on the basis of a financial statement containing a 'continuing clause', refer in writing, in some way or other, to the continuing effect of the statement, whenever purchases are made on credit by the debtor."**

The circumstances of the case are as follows: T. L. Kahn, having been duly adjudicated a bankrupt in the District Court on January 5, 1926, filed a petition for a discharge from his debts under the Bankruptcy Act. The International Shoe Company, a creditor of the bankrupt, filed specifications in opposition to the discharge on the ground that the bankrupt had obtained certain goods, wares and merchandise from it upon a materially false statement in writing made by him for the purpose of obtaining credit from the company. The statement in question was made by the bankrupt on April 19, 1922, upon a printed form furnished by the International Shoe Company. It showed that the bankrupt was then possessed in assets of $30,000, including Liberty Bonds in the amount of $4,000 and owed only $6,000, giving him a net worth of $25,000. The statement form contained the following condition in print over the signature of the bankrupt:

> "The above statement is made for the purpose of obtaining credit from the International Shoe Company now or hereafter and the same shall stand good as to any future purchases unless there should be a material change in which case I will notify them before making further purchases from them."

It also contained the following printed statement over the signature of the company:

> "Please fill out the following blank and return the same to us. This statement will be used by us only for our confidential information.
>
> "It is a well established business principle that financial statements should be made at least once a year. The largest and strongest financial companies do this because they recognize that capable character and ability are the basis of all credits.
>
> "In business it is necessary to take careful inventory at least once a year to keep an accurate set of books showing all sales both cash and credit."

When the statement was made, it was a correct account of the bankrupt's condition. Thereafter, from time to time the International Shoe Company sold goods to the bankrupt on credit. Sales were made on credit in 1922, 1923 and 1924. All of the bills were paid when they matured. Between May 15, 1925, and October 31, 1925, however, the Interna-

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tional Shoe Company sold to the bankrupt merchandise an appreciable portion of which remained unpaid for at the time of bankruptcy. Thus it appears that the bankrupt paid for nearly 90 per cent. of the goods purchased by him in the four year period and greatly reduced the amount of his purchases during the last year.

Financial Condition Had Changed

A material change had taken place in the financial condition of the bankrupt when purchases were made in the early part of 1925. His net worth had been reduced to a much lower figure than was shown in the financial statement; and he had disposed of the Liberty Bonds; but he did not notify the International Shoe Company, which on its own part, sold the goods during 1925 relying on the statement of April 19, 1922, believing that the financial condition of the bankrupt remained unchanged. Had it known of the change it would not have accepted the orders and extended the credit.

The Court was of the opinion that there was no evidence that the bankrupt, designedly and with corrupt intent, undertook to deceive the International Shoe Company for the purpose of obtaining merchandise in 1925, as the company did not at any time in the three preceding years remind him of the financial statement which he made on April 19, 1922, and the Court thought it was reasonable to assume that the bankrupt forgot (if, indeed, he ever read the finely printed "continuing clause") his promise to notify the International Shoe Company of a change in his financial condition. The Court, moreover, held that a broken promise of a buyer, contained in a true statement of his resources, wherein he agreed to notify the seller of a change in his financial condition, did not bring him within the terms of Section 14-B of the Bankruptcy Act so as to require the denial of the discharge.

Value of Continuing Clause

Has or has not the decision in this case rendered valueless the "continuing clause" in the financial statement?

The answer to this question is of great importance to Credit Departments. In the opinion of the writer, the decision has not destroyed the value of the "continuing clause". The decision has, however, rather definitely defined its limitations. Let us analyze the Court's decision as given by Judge Morris A. Soper.

We must keep in mind that the purpose of this case was to bar the discharge of the debtor under Section 14-B, particularly subdivision 3, of the Bankruptcy act, which reads as follows:

> "Obtained money or property on credit upon a materially false statement in writing, made by him to any person or his representative for the purpose of obtaining credit from such person."

The Court expressed the opinion that there can be no doubt that a financial statement may have a continuing effect so as to bind one who corruptly issues it with the intention of obtaining credit and cited as authority on this point the following cases: Gerdes *vs.* Lustgarten, 266 U. S. 321; Ragan *vs.* Cotton (5th Circuit) 200 Fed. 546, 550; and Haimowich *vs.* Mandel (3rd Circuit), 243 Fed. 338,342. These cases held that, where a bankrupt for the purpose of obtaining credit has made a false financial statement which provides that it shall be binding for continuing credit unless changed, and a creditor has extended credit upon the strength of the statement within the time in which the bankrupt intended the statement to serve that end, the discharge should be denied.

The test whether a false statement given upon one date and acted upon at a later date operates as a bar to discharge is *whether at that time the false statement was still in force and binding* upon the bankrupt. This is to be determined according as it is found that the sale on credit was or was not the proximate result of the statement and that its original falsity was or was not the thing that worked the mischief.

In rendering the opinion for the Circuit Court of Appeals, Judge Soper stated that the mere lapse of time between the statement in 1922 and the extension of credit in 1925 does not in itself determine the case and that there were other circumstances which caused the Court to sustain the verdict of the District Court.

Intention of the parties, in the opinion of the Court, determines whether or not a statement of financial condition is to be given a continuing effect for any given period of time. The Court believed that the statement in this case indicated that it was not to be kept alive and continued as a true account of the bankrupt's condition for so long a period as three years, notwithstanding the expressed provision that it should stand good for subsequent purchases unless there should be a material change and notwithstanding the promise of the buyer to give notice of such a change.

Not Continuing Indefinitely

The Court pointed out that there must be some limit to the validity of such a promise and no limit was expressed in the provisions of the statement under consideration. The Court felt that it would be unreasonable, under the general practice current in business circles, to construe a statement as continuing indefinitely unless there were a clear expression of such mentioned in the instrument itself.

In this connection it appears that the Court regarded as of particular importance the International Shoe Company's announcement in its statement form, used by the debtor, that financial statements should be made at least once a year. This announcement was closely coupled with the request for the statement. It was the opinion of the Court that this expression of the International Shoe Company was sufficient to justify the bankrupt in concluding that the statement which he gave in April, 1922, would be accepted as representing his financial statement for the ensuing year, but that thereafter it would not be considered as a fair statement of their financial responsibility.

The Court did not, however, base its decision alone on the ground that the bankrupt was justified in not considering the statement as continuing after the end of the year in which it was made. The Court placed more importance on the fact that the statement was a *true statement* when it was given

(Continued on page 17)

Noise, an Office Nuisance

How It Is Controlled in Some Credit Departments

By E. C. Martin

ELIMINATION of noise as an element of vital importance in the Credit Department is emphasized in the comments made to the CREDIT MONTHLY by several credit executives on the article published last month, entitled "Less Noise—More Work." This article, in some cases, seemed to touch a sore spot. Some of the denunciations of noise in offices are published herewith. Other commentators adopted a balanced, judicial tone, and suggested ways and means of eliminating noise. It is to be inferred, perhaps, that this calm attitude emanates from the fortunate possessors of private offices, with sound-proof walls and ceilings, noiseless typewriters, and telephones that buzz and do not ring.

The cartoon illustrating this article may strike some as being far-fetched. We believe, however, that many a dictator and many a dictatee will appreciate the suggestion it makes, and we predict, immediately after the publication of this article, a bull movement in the stock of Amalgamated Megaphones, Inc.

Although "in a small office where noise does not constitute much of a problem," Charles F. Adams, Credit Manager of the Idaho Candy Company, and President of the Boise Association of Credit Men, says that without doubt "the elimination of noise in any office will mean increased efficiency in turning out work—for all of us know that when the office is quiet and we are uninterrupted, we accomplish more real work than at any other time.

"We know," he continues, "that all of the large manufacturers of office equipment are gradually endeavoring to eliminate noise in the operation of their machines, and no doubt this has been caused by the demand for greater efficiency in offices."

F. S. Armistead, Bluefield Furniture Company, and President of the Bluefield Association of Credit Men, says that the workers in his offices are not bothered unduly by noise, as they are not crowded, and everyone has an office to himself. He suggests that noisy surroundings can be improved a great deal by the use of noiseless typewriters, silencers for telephones, and deep-pile rugs, especially under typewriter desks. *If comfort and health are to be considered at all,* Mr. Armistead says, it is worth while to install noise-preventing devices.

The Credit Manager of a large Southern manufacturer of confectionery says that in his opinion, "you can get used to working, eating, sleeping, and drinking under any conditions, providing, of course, that you do not have the 'one-track' complex."

The Credit Manager of a large produce and commission house in the South, commenting on the noise question, alludes to the office equipment manufacturers. After saying that many office machines are so noisy that they operate against the efficiency of an office force and cause delay, he adds that he does not see how these noises can be eliminated, with ordinary modern machinery. "But I believe it would be of great assistance if the manufacturers would bend every effort toward making these various modern office machines as near noiseless as possible."

To be up against the problem of noise, but powerless to do anything about it, is the plight of Fred P. Kinney, Treasurer of the Kinney Manufacturing Company, and President of the Boston Credit Men's As-

(Continued on page 23)

IF OFFICE NOISES INCREASE

The Credoscope

By Stephen I. Miller

Executive Manager, Secretary and Treasurer, National Association of Credit Men

Credit in the Economic System

THERE are few farmers and business men who do not find it necessary and profitable to use credit. Long before banks were established in the various communities, storekeepers and customers had developed a widespread system of book credit. For hundreds of years farmers brought in their produce to the general store, receiving a credit which was used to pay for groceries, clothing, agricultural implements, and hardware. So complete was this practice that many an individual seldom had cash on hand, seldom saw a piece of money. The contributions of credit to economic welfare fall within four general classifications.

The Localization of Industry

Every community is a magnet for certain lines of business endeavor; every locality possesses certain economic advantages that draw industries to it. But like the magnet, these advantages may be slowly neutralized. It required vision a few generations ago to anticipate the transition of the centre of the packing industry from Cincinnati to points farther west; to realize that great steel enterprises would be established in northern Indiana, Colorado, and Alabama; that textile mills would be built in the South; that the boot and shoe industry would obtain a firm foothold in the Middle West. With the movement in population, markets change; with the development of transportation, the cost of moving raw materials and the finished product is revolutionized; with the spread of credit facilities capital moves out of metropolitan areas and across State lines; with congested population come high rents, high food costs, and difficulties in moving labor to and from work. If the star of empire has slowly moved in a westerly direction, the cause will be found in depleted economy in one locality as compared with another. Other things being equal, industry tends to back up to the source of raw material. The credit manager who will look out into the future knows the ebb and flow of these economies. He is a builder in his community to the extent that the most worthy man and the most worthy industry receive his support.

A community reckons its strength and progress in terms of population. It may be unfortunate that in the ambition to expand numerically many important values are overlooked. Nevertheless, a given city or district desires more industries and more people. Competition for manufacturing plants, distributing agencies and settlers has become so keen as to unify many entire communities in the form of a campaign for promoting industrial growth. Business men, credit men have always emphasized markets, raw material, the availability of labor, transportation, power, and taxes as dominating forces in determining the localities toward which industries will gravitate. They have very often overlooked the importance of community co-operation. Communities in turn have quite generally overlooked the important role played by the credit manager in promoting new industries.

With the plant built and equipped, the business has become a member of the industrial family of the locality. Laborers have made all the human adjustments necessary to obtain employment, scores of allied industries have been established in order to share in the new business. The credit manager now finds it necessary to take a painstaking interest in the newly acquired business. Credit is fundamental to the industrial expansion of a locality.

Size of the Undertaking

The question has often been asked: How large should an industry be? The answer is that it should be large enough to make possible the lowest possible unit cost of production or distribution. It may readily be assumed that no plant conforms 100 per cent. to this physical standard; nevertheless the successful ones tend to approximate this requirement. A large number of businesses in every industrial locality should never have been launched, for they do not have sufficient capital to make possible economic operation. During the last twenty years large scale business has developed by leaps and bounds, due to the invention of machinery, expansion of markets, and the elasticity of business organization. The entire credit organization has had to be reorganized in order that the necessary capital might be forthcoming. This in part was the cause of the Federal Reserve Banking System which has made possible greater elasticity in commercial paper. Enlarged credit facilities have made possible units capable of utilizing all the economies to be found in modern technique, and in turn these economies have made possible larger consumption of products.

The Continuity of Business

It has often been said that England could not live three weeks if cut off from the rest of the world. In other words, England has become dependent upon outside nations for food, raw materials, and markets for finished products. One could say with even greater certainty that the businesses of a given community would be forced to close their doors

if credit co-operation should be withdrawn. A representative business is required to keep a large supply of raw materials on hand, and this is emphasized whenever there is fear of interrupted transportation or labor problems. Many plants have thousands and millions of dollars tied up in plant and machinery. Very often warehouses are well filled with goods awaiting cars or a favorable turn in the market. Good business is a flow of materials from mines, farms, and forests to consumers with the least possible delay in the plants where they are processed.

Time is the essential element in modern business; time abbreviation in the production of the commodity and time abbreviation for the commodity in the storeroom and upon the shelves. Large scale production, machinery, and the division of labor are but the destroyers of the time element, and a rapid turnover of merchandise aims to accomplish the same result. Time is money and time is risk; time is credit, and time is banking. There is not one business in a hundred that has enough cash to stock up with raw materials, market its products and pay its help, without recourse to a bank. The man with the dinner pail, the corner grocer, the farmer and the educator share in the advantages of the continuity of their business and employment. No greater example of the interdependence of all mankind can be found than in the present credit organization.

The Stability of Business

No condition in business is so important as an uninterrupted demand accompanied by such a supply of commodities as will make prices fair to consumers and profitable to producers and distributors. Wars, famine, earthquakes, fires, strikes, interrupted transportation, and oversupply eventually mean loss of employment and loss of business. No disturbing force has greater economic consequence than rapidly changing general prices. When the general level of prices moves up substantially, wages tend to fall behind the advancing prices, thus cutting down the standard of living enjoyed by the laborers. When prices fall off sharply, business curtailment brings a loss of employment to thousands and millions of men. When the purchasing power of the dollar changes sharply, creditors receive more or less than they loaned, depending upon the direction of the price movement. Scheming ne'er-do-wells often appeal to the ignorance of a people by advocating cheap money and thereby destroying the purchasing power of incomes that have been created by years of saving and industry. Rapidly increasing prices are to the body economic as stimulants to the physical body.

Overexpansion in business is the direct result of an upward price movement, and has brought hundreds of thousands of enterprises to ruin. Even the more conservative business man finds his profits of the boom period offset by losses during the reaction. Even more important still—a period of general price advancement destroys the thrift of a people. This was clearly seen as one of the catastrophes of the Great War.

If business is to remain upon a strong economic basis, it must be sufficiently stable to permit the maintenance of a strong continuous organization. There can be no standards of efficiency when calculations are continually upset by changing values. At this point the credit manager is drawn into the very vortex of the economic system. An undue expansion of credit means an increase in purchasing power which is soon reflected in rising prices.

The relation of credit to the location, size, continuity and stability of business constitutes a responsibility of the first order. The credit manager who does not know his facts is a derelict in the field of industry. When business principles are not understood, when costs are not known, when financial statements cannot be interpreted, legitimate business is jeopardized. Let us remember "every man is a pilot in a calm sea," and "in the land of the blind the one-eyed man is king." Business is a science, and a scientific conduct is the first requirement of a real profession.

On the Threshold of the Year 1928

THE United States passes into the year 1928 with

A transportation system that has made possible minimum inventories on the part of producers and distributors,

Abundant capital and credit facilities which have been conservatively administered to avoid general plant inflation,

Sufficient stability in the price level to keep the flow of commodities continuous,

A program of tax reduction,

Better agricultural conditions and the outlook for an enlarged foreign market, and

Economy in business, particularly through consolidation and economy on the part of consumers by virtue of more careful buying.

There is no reason for anxiety as to business so long as business men avoid undue expansion of plant, cut-throat competition, and the heavy accumulation of commodities.

XUM

Is Your Debtor Bonded?

Surety Bonds as Bulwarks of Credit

By Edward C. Lunt

President, The Insurance Society of New York
Vice-President, Great American Indemnity Company

ALMOST any information about a man seeking credit is of value to a person charged with the responsibility of granting or withholding such accommodation, and credit managers long ago learned to say, with the old Roman dramatist, "Everything that pertains to human life is of interest to me." Yet it may be doubted that the average credit manager understands how large a part surety bonds have come to play in modern business, and how useful they may be made to him under certain conditions.

In the first place, let us consider the granting of credit to an individual consumer, as distinguished from credit sought by business concerns.

It is well known that surety companies do not issue fidelity bonds (particularly large bonds) in behalf of individuals unless the underwriters first satisfy themselves by means of an exhaustive investigation that there is nothing in the past history or present character of the persons so bonded inconsistent with a belief in their integrity and responsibility. Can there be any doubt, therefore, that a person in whose behalf some surety company has felt able to issue a fidelity bond is a better credit risk, other things being equal, than a person never so tested or perhaps found unequal to the test and rejected by a bonding company? Elementary in the art of passing upon credits is the principle that a person's character constitutes a vital factor in any specific case. If so, what better line could one get upon an applicant's qualifications in this respect, what evidence could more concretely and more conclusively favor a given risk, than the existence of a fidelity bond, especially if it be a large one covering the man in an important position of trust?

Except as regards the applicant's worldly possessions, a fidelity underwriter's work is really a good deal like that of a credit manager so far as consumer risks are concerned; and the reasons that cause an underwriter to reject an applicant for a fidelity bond would have profound influence upon, if they did not absolutely control, the decision of a credit manager considering the same person for credit accommodation. This may be seen from the following list of reasons underlying surety-company fidelity rejections, arranged in the order of their damaging importance:

(a) Dishonesty in a former employment.
(b) Addiction to drink, either at present or within a comparatively recent time.
(c) General dissipation, undesirable associates, and the like.
(d) Gambling in general, or race-track gambling, or speculation (stocks, grain, oil, etc.).
(e) Debts, or extravagance, or tendency to live beyond means.
(f) Inability to find references, or the receipt of adverse information from them, or their refusal to say anything.
(g) Inability to verify the applicant's statement of career or to account satisfactorily for all of his time—because he has wilfully suppressed some employments, knowing that a full disclosure would be fatal; or because he has not taken the trouble to make an accurate statement.

When the matter of extending credit to business houses comes up, the connection of fidelity bonds with the question is not so apparent, but is in many cases none the less real. It is undeniable that credit may most prudently be granted when the debtor is not only presently possessed of resources warranting such accommodation, but when he has surrounded such resources with every safeguard reasonably procurable.

Assume that the debtor's business is such that a substantial part of his assets is exposed to the risk of diminution or even complete annihilation by the dishonesty of employees necessarily entrusted with such assets. And assume that machinery exists whereby the debtor can protect himself, conveniently and cheaply, against such loss by bonding all such members of his staff. Then it would seem to be reasonably in order for a credit manager to require such protection where the debtor has failed to provide it on his own account. At all events, the point would seem to be worthy of consideration by credit managers. Fortunately fidelity insurance has been liberalized and generally perfected in fifty years of experience, and is now everywhere available through thousands of local agents representing scores of bonding companies.

Corporate Surety Bonds

The classification of surety bonds which is used by American companies for statistical purposes embraces twelve grand divisions of risks, with numerous subdivisions. We have considered thus far precisely one of these divisions. While most of the remaining classifications have little or no direct connection with any part of a credit manager's work, certain other kinds of surety risks are vitally concerned with his functions, and may be adequately cared for by means of *corporate surety bonds.* Bankers and dealers in investment mortgage bonds, for example, when requested to make loans upon the security of land and improvements thereon prior to the completion of such improvements, may safely provide the credit, if the conditions otherwise are satisfactory (that is, aside from the absence or unfinished state of the improvements), by procuring from some surety company, before advancing any part of the loan, a bond guaranteeing that the improvement will be completed in accordance with the plans and specifications.

Another kind of surety bond is of vast importance to credit managers connected with certain industries

(Continued on page 27)

Collections by Telephone

Credit Managers Discuss Speed and Economy

By J. W. Barr
The Quaker Oats Company, New York

THAT the telephone is used extensively in retail collection work by retail credit managers, is well-known, but the many ways that the telephone may be utilized by the credit departments of wholesale and manufacturing concerns are not so familiar. Little material has been compiled heretofore on this interesting and extremely practical subject. Some first-hand information, however, has been obtained from the credit departments of a number of widely known concerns. The men in charge were questioned on their use of the telephone as compared to their use of letters in calling for financial statements, discussing unearned discounts with the customer, asking for payments past due, etc. Their experience—which, on the whole, shows the great advantages of the judicious use of the telephone in credit work—is described in this article.

In my own department I find that the chief advantages of using the telephone is in asking for payments past due, although we also use it for arguing with the customer about unearned discounts. In asking for financial statements, we generally write to the customer. I feel that we are getting into closer touch with our customer when we can talk with him on the telephone, than if we write to him. Usually the telephoning in connection with collections, discounts, etc., can be delegated to assistants in the Credit Department.

We find it better for all concerned to keep correspondence down to a minimum. One reason is that *even a specially dictated letter may be regarded as a form letter* and consequently land in the waste-basket.

Our terms are 10 days less 2 per cent., due in full on 11th day. Our statements, 6 x 7 inches in size, white paper, are made out with one duplicate, and one more copy on yellow paper. These yellow copies are kept in an arch file, grouped by days of the month. This file is under the hand of the man who follows up the telephone collections, in nearly every case my assistant.

The average cost per telephone call is smaller than the average cost of a letter, including, of course, the time of the individuals involved in telephoning or dictating and handling the letter.

We seldom have to write to an account, in order to make the collection. We find that it is both cheaper and quicker for us to use the telephone rather than letters—which would average between 25 and 35 cents each.

Our Philadelphia office executives believe that the use of the telephone in credit work cannot be clearly analyzed without taking into consideration the temperament and ability of both the person doing the telephoning and the customer who receives the message.

They have used the telephone to very good advantage, and then again it has proved a boomerang. They always prefer using the telephone when possible rather than getting in touch with the customer by letter. There is no question but that the telephone is quicker, but, in their opinion, not cheaper except in local calls, in Philadelphia.

Such telephoning, in their opinion, should not be delegated to an assistant. After all, the chief function of the Credit Department is to cause as little friction as possible between the house and the customer, and it is easy for the unskilled man to make enemies over the telephone. The tone of the voice and the manner of speaking must always be considered—it sounds different coming over the wire from the way it sounds when you are face to face. Surely the Sales Department would not entrust to an assistant the telephoning of a customer to secure an important order. Why should the Credit Department allow an assistant to telephone a customer in straightening out his account?

Know the Customer!

Customers are proverbially touchy when they are asked for financial statements, for money due, or for a

remittance to cover unearned discounts. The Credit Manager must know his customers—which ones he should telephone and to which ones it is preferable to write. Otherwise, he is very likely to cause himself a large amount of grief.

In those rare cases where they have written and received no reply, they have found that a telephone call will very frequently get results. They seldom have to telephone a customer more than once, whereas it may be necessary to write several letters to effect the same result.

An executive of our Chicago office, says that although they believe that using the telephone would be more economical in a great many ways, they do not ordinarily resort to it unless it seems imperative to get quick action or *to communicate with some specific individual.* Usually they write two or three letters in regard to overdue accounts or any other financial matter, and if no response is received and the customer is conveniently located they try to get in touch with him by telephone. The cost of a letter would probably exceed the cost of a telephone call, which, in Chicago, is not more than about 3½ cents; it all depends on the nature of the account. In a few cases, it seems they cannot get results except by calling the debtors on the telephone.

Cost of Telephone Collections

The Albany branch of a well-known tire and rubber company gives some statistics on the actual results obtained from telephone collections, and the cost of the service. This branch has, for the past few years, carried on an intensive campaign in connection with its collection work, using the telephone toll service; it operates within a radius of about 150 miles of Albany. The company considers 90 per cent. of the total billing to be the ideal collection each month. About 75 per cent. of the total collections, or $100,000 per month are affected by the use of the telephone. The cost for toll service in connection with this particular activity is about $250 per month, or about $.0025 per dollar collected. This company considers the telephone the cheapest and most efficient means of collecting its accounts and believes that telephone requests for settlement of accounts have a greater effect than letters.

The Credit Manager of a nationally known canned milk company finds it advantageous, at times to telephone customers regarding collections and other matters, but this is confined almost entirely to local business. This company uses the telephone in conjunction with statement and dunning correspondence, and finds that in this way it gets quicker action than by correspondence alone. It feels perfectly safe in delegating this phase of the work to competent assistants in the Credit Department.

A well known soup company explains that most of the collection work is done by mail, because "our customers are scattered throughout the country. At times we use the telephone to talk to customers situated at nearby points; but that is usually only after we have failed to get answers to our communications. Sometimes it is effective, and just as often not. Followed along proper lines, collection by mail is, in our opinion, just as effective and satisfactory as by telephone."

Cheap and Speedy

The telephone in credit work is much cheaper than letters, in the opinion of H. Edmondson, Credit Manager of the Cheek-Neal Coffee Company, Brooklyn, N. Y., who says that his Credit Department "consists of the Credit Manager and one woman assistant who checks orders and also does all the book-keeping, sends out statements and most of the other detail work. The telephone is used by both, principally for local calls about past due accounts, discounts and also to request financial statements, which is much cheaper than writing letters.

"Occasionally we use the long distance telephone for requesting checks on past due accounts, where we feel that quick action is advisable. We find that letters or telegrams are cheaper when immediate action is not required."

V. F. Montenyohl, Assistant Treasurer of the B. F. Goodrich Company, Akron, says that the long distance telephone is used frequently in credit work. "Naturally we use it as a saver of time, but the information we secure is perhaps of no greater value than it would be were the inquiries made by mail. Frequently when we are in need of information in a hurry we use the telephone in calling mercantile agencies and creditors whom we know to be interested in the particular account.

"We seldom, if ever, use the telephone to secure credit information direct from the prospective account, although, of course, we do use this method of getting old accounts adjusted in order to clear the way for further business.

"In the sale of original equipment, that is, tires to car manufacturers, we can usually secure very complete information in a relatively short period of time by talking over the telephone with men we know personally, and who are thoroughly familiar with the affairs of the concern in question. From this standpoint *our trade contacts are really more important than the method used for securing the information*, because there is an intimate acquaintanceship, and in these circumstances, extreme frankness is the rule, and expression of opinion at times is of more value than the actual experience with the account."

Eugene J. Bush, of the W. J. McCahan Sugar Refining & Molasses Company, Philadelphia, says that "conditions vary with each case. The use of the telephone in our collection work in the nearby districts is increasing yearly and offers the advantage of direct touch, with the probability of a definite and immediate reply."

One of the largest sugar refining companies says that although the Credit Department has no set rules for handling credit matters, "it is customary for us to use the telephone daily in collecting for invoices due from jobbers in the metropolitan district. We believe it is much quicker and it has a better effect than writing letters. It is also our custom, at times, if circumstances warrant, to advise a jobber that we will not allow discount if more than the usual ten days is taken. It is seldom that we use the telephone in collecting accounts outside the metropolitan district."

Mark W. Lowe, Credit Manager of the Pennsylvania Sugar Company, Philadelphia, is of the opinion that the telephone has one big advantage over the letter—"you can often times say orally what you would not care to put in writing."

He goes on to say: "We have never used the telephone for requesting financial statements, and I doubt

(*Continued on page 22*)

XUM

Does Your Sales Mgr. Know?

How the Salesman Can Render Real Business Service

By B. N. Serviss

THE sales end of an organization should be keenly aware that the expense of selling is very materially increased by the extremely high business death rate among retail merchants. These business tragedies are often regarded as an item of expense or loss, only when the expiring merchant fails to pay his account in full.

But that is not the whole story, because there is a very heavy and ever-present item of selling expense in securing new customers. Therefore anything that can be done to lower this death rate in retail business will mean for wholesalers, not only less selling effort, but more profits as well.

The Sales Manager is truly an executive and in his position he has a splendid opportunity to render real Business Service—the kind that means more profit for all concerned. Salesmen, working under the direction of the Sales Manager, have direct contact with the customer and are thoroughly familiar with his local conditions.

Has the Sales Manager made sure that each salesman is able to give intelligent Business Service to his customers? Every day the salesmen are answering questions that are of vital importance to the customer. Are all the salesmen able to give sound advice, or do some of them need a little coaching? If so, let us see that they receive the necessary help, without any embarrassment.

When a customer asks advice, he has a right to expect sound and helpful advice—real constructive information. Would we, in our own companies, trust the judgment of our salesmen in answering such everyday questions as these:

"In my business a great deal depends upon location. Shall I stay in this store at $50 a month, or move down the street to that store on the corner at $100?

"Shall I advertise in the daily paper or by direct mail? How often should I turn my stock?

Leaders in Business Service

J. M. RUST, Union Oil Company, Los Angeles, is chairman for the current year of the Business Service Executive Committee of the National Association of Credit Men. The other members of this committee are:

O. M. Bryant, The Braun Corporation, Los Angeles; C. D. Collom, Elliott-Horne Co., Los Angeles; C. F. Longley, Bishop & Co., Los Angeles; F. W. Black, Western Meat Co., San Francisco; E. C. Gayman, Sperry Flour Co., San Francisco; O. H. Walker, Edison Phonograph Dist. Co., San Francisco.

The vice-chairmen of the committee are:

Wm. H. C. Just, Hood Rubber Products Company, Inc., Providence; H. B. Miles, Consolidated Water Co., Utica; Clarence E. Siegfried, M. S. Young & Co., Allentown, Pa.; Edward McGowan, City Trust & Savings Bank, Youngstown; J. B. Motley, Prest-O-Lite Co., Inc., Indianapolis; J. E. Porter, Hill Printing & Stationery Co., Waco; Clarence H. Cook, Solomon Bros., Montgomery, Ala.; James F. Plumb, Hawkeye Lightning Rod Co., Cedar Rapids; Earl R. Heath, J. S. Brown Merc. Co., Denver; E. G. Olney, Crane Co., Spokane.

"How much and what kinds of insurance should I carry?

"Is it wise to borrow money to take cash discounts?

"Shall I insist upon a signed contract from every customer?

"How much stock is it necessary for me to carry?"

Many retail merchants, particularly in small towns, will discuss these subjects with a salesman when he is in the store, but will not write a letter to the Credit Department and request the same information. If he does not know, will the salesman pass the inquiry along to the Credit Department for investigation, or will he simply talk around the subject and leave the customer to get the desired help from a competitor? Wonderful opportunity for co-operation between Sales and Credit Departments, isn't there? Are we credit managers helping our own salesman as much as we should?

Customers are going to request and receive Business Service from the firms that supply them with merchandise. Let us ask ourselves frankly the question, Are we getting the best possible service from our firm or from our competitor?

Many a sales manager, not familiar with Business Service, has become interested in this vital subject by the reading of "Business Service—Its Meaning, Purpose and Development," a study prepared by the Business Service Committee of the National Association of Credit Men. Copies are to be had from any office of the N. A. C. M. or from Committee Chairman Rust, Los Angeles.

"In Defense of the Nation's Receivables"

THE one nation-wide organization whose whole duty is the Defense of the Nation's Receivables is the National Association of Credit Men, which is a non-profit making, co-operative organization. The officers and directors who serve without pay, are executives of nationally known business houses.

A 24-page illustrated pamphlet, entitled "In Defense of the Nation's Receivables," with the cover design used on this issue of the CREDIT MONTHLY, has been prepared by the headquarters office of the Association, One Park Avenue, New York, which describes briefly the services of the Association's Departments, and acquaints the reader with the scope of the organization's activities.

XUM

The "Fence" System

A Powerful Aid to the Credit Crook

By Maxwell S. Mattuck

Director-Counsel, Credit Protection Dept., Eastern Division, N. A. C. M.

Chairman, Business Men's Special Committee, National Crime Commission

ONE of the most serious problems confronting business today is the enormous loss occasioned by the "fence," the criminal receiver of and dealer in stolen, embezzled and fraudulently obtained property. Directly or indirectly, all business suffers from the depredations of this type of criminal.

Although the community has always been alert to the danger in crimes of violence, it was only recently that society in general and business in particular recognized the necessity for considering ways and means of combating the fence system. The system is a serious menace in view of the following:

1. It is an inducing cause of crime. One fence can procure many thieves and other crooks to steal or cheat for him.
2. It is an outlet for criminal activities of others. Without the fence, dishonesty and crookedness would often be abortive. If the thief or the crooked bankrupt had no means of disposing of his loot, he would soon turn to other means of livelihood.
3. It involves all classes of people. Men of influence and often men of high social and business standing are attracted to this type of depredation because of the difficulty that hampers constituted authority in reaching them, and because of the comparative safety with which they operate.
4. Because of the lesser penalties involved, it attracts criminals of the more violent type, who see that the hazards are less and that the profits are larger in this system of crime.
5. It is often allied to crimes which involve not only burglary, larceny and fraud generally, but also to other crimes which apparently are totally disassociated from it. A striking example of this is the crime of arson. Many fires result from attempts to alibi and explain the disappearance of merchandise.

The cost of the fence system to the country is enormous. Business men do not agree as to whether it is business as such that suffers most from this type of crime, or whether, in the final analysis, it is the community and its individual members who pay the cost. Perhaps the cost falls on both. But it is clear that the enormous wastage takes heavy toll. Comparatively few businesses are safe from the fence. In fact, *every business in which the credit system is established is subject to the depredations of the fence* because the crooked business man, through any of the three following ways, can procure merchandise and dispose of it through the fence.

1. He can buy reputation, in which case, through a dummy, he merely procures a business with an established reputation on the strength of which he may get credit.
2. He may adopt reputation, in which event, through a dummy again, he may establish a business which has a trade name sufficiently like a reputable name to deceive prospective creditors into granting credit.
3. He may use his own already well established reputation, in which event he uses a dummy as his outlet.

These means are not at all uncommon, but are every-day occurrences in the realm of crooked failures.

It is found that certain types of merchant are peculiarly attracted to the fence crime. Silks, jewels, furs and other commodities lend themselves easily to the fence's operation, and recently even postage stamps have found their way into the hands of these professional receivers of stolen merchandise. But no business is immune from being victimized.

The actual cost must, of necessity, be to some degree conjectural. But figures are obtainable with respect to credit frauds, from the reports and records of the National Association of Credit Men and of the American Institute of Accountants.

Cases submitted to the National Association of Credit Men for investigation and prosecution, show losses averaging close to $100,000,000 yearly. Assuming that only one crooked failure in three comes to the attention of that body, the cost may be conservatively estimated at $250,000,000 a year; and in at least 90 per cent. of fraudulent failures, the fence must be present for their consummation. In fact, he is often the man behind the gun. If to this be added the $500,000,000 attributed by the National Surety Company to burglaries of furs, silks, automobiles and diamonds, a sufficiently strong case is made out, even if this amount is cut in half, to warrant the careful and deliberate investigation by the National Crime Commission.

The problems at present incident to the handling of this situation are many. They include the following:

The fence's methods of operation are made conformable to existing standard business practices. He invariably insists that the thief or the crooked bankrupt give him some document of title. If thereafter the name of the seller is fictitious or the bill of sale is fraudulent, he can still claim that he acted as ordinary business required that he should.

To verify his allegedly honest position he may refuse to buy certain standard trade mark merchandise because it is easily identified. Such a merchant, therefore, either strips off all these markings, or has his seller do it. Thus all trace of it is definitely lost.

Or, if he doesn't desire to go to this trouble, he may brazenly compete with honest jobbers or wholesalers or

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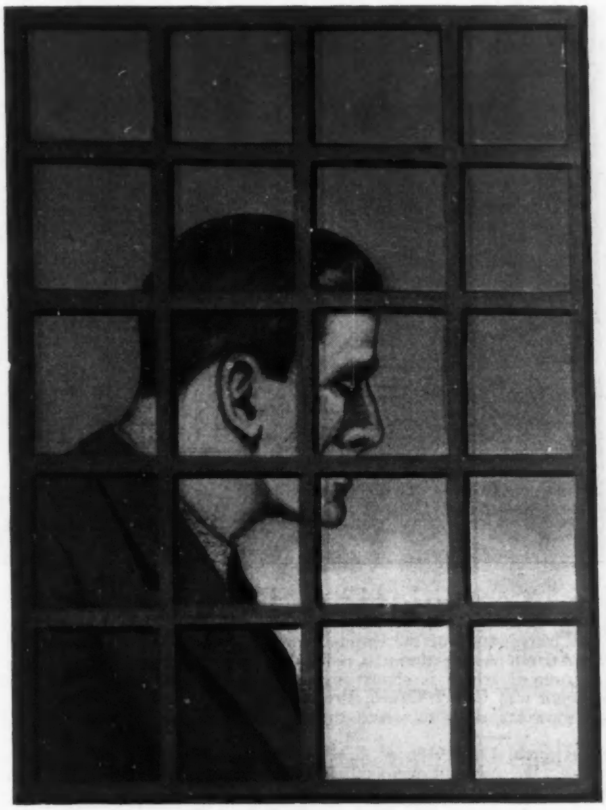

RESULTS

from the operation of the Credit Protection Fund of the National Association of Credit Men, June 1, 1925-October 31, 1927

Convictions	306	Formal complaints received	1686
Persons Indicted	860	Formal complaints not warranting prosecution	670
Indictments Pending	456		
Cases Pending	769		

dealers by selling standard merchandise to consumers at prices even below the factory price. The manufacturer is quite helpless to stamp out this practice.

Suspicious Circumstances

If he is confronted with the suspicious circumstance that the price at which he bought the merchandise was so absurdly low that he must have known its source was tainted, his excuse is that he bought the merchandise for cash; and was, by reason of being a "cash buyer," entitled to a larger discount than others.

The auctioneer and second-hand dealer, who in turn may be the outlet for the fence, are difficult to regulate and handle. They, in turn, of course, depend upon the consuming public; and it is too often the feeling, even of the honest citizen, that he must not look a gift horse too closely in the mouth. A bargain is a bargain and how or why the auctioneer can sell so cheaply is not the concern of many otherwise scrupulously honest persons when making purchases.

"The Continuing Clause"

(*Continued from page 8*)

and that, therefore, it must have *been remade* or *renewed* after it became false in order that it could be used as a ground for the refusal of the discharge under Section 14-B.

The International Shoe Company contended that the statement was reissued by the bankrupt when, under his changed financial condition, he ordered goods in 1925 and failed to carry out his promise to give notice of the change. The Court held that, granting that the statement was reissued by the debtor's purchases in 1925 on credit, it was not such a reissuance as in the meaning of Section 14-B of the Bankruptcy Act could prevent his discharge. It is well settled law that the provisions of this section of the Bankruptcy Act, wherein grounds in opposition to discharge are specified, are not to be extended by construction.

It is very important to note that the Court's suggestion that the reissuance of the statement by any purchases in 1925 might be used as a basis to show that the creditor had parted with property by reason of fraud practiced upon the creditor by the bankrupt, but not the character of fraud which, in the meaning of the Bankruptcy Act, can be used to prevent the bankrupt's discharge.

Conclusion

In view of the circumstances of this case, it would appear that the decision rendered by the Court does not establish a precedent which will render valueless the "continuing clause" of the financial statement. It is believed that the decision limits the effects of the "continuing clause" to the end of the year in which the statement was made, unless there is some reference to the statement in writing by either the creditor or the debtor or both after the end of the year. Furthermore, it would seem that the decision has not affected in any way whatever the value of a financial statement as a means to prevent the discharge of a bankrupt if the statement *was false when made*. The decision in this case affects only the statement,

(*Continued on page 27*)

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Atlanta Credit Association Leaders

THE strength of any group of credit men is a combination of the enthusiasm of the younger members and the constructiveness of the older ones. The Atlanta Association of Credit Men has always been able to count upon the active service of its older stalwarts, a group of whom is shown above in the picture taken recently in Atlanta, during a meeting at which the guest of honor was Geo. J. Gruen, President of the National Association of Credit Men. (Dates following the names below show the years in which these men served as presidents of the Atlanta Association.)

Front row, from left to right: H. S. Collinsworth, 1916-1918; W. L. Percy, 1920-1921; H. E. Choate, 1907-1909, 1912-1913; Geo. J. Gruen, President, N. A. C. M.; W. C. Lovejoy, 1927-1928; Ralph Rosenbaum, 1910-1912; F. B. Ramey, 1923-1925.

Back row, from left to right: C. L. Williamson, Secretary, 1921 to date; Wilmer L. Moore, 1905-1906; J. H. Sutton, 1925-1927; E. S. Papy, 1918-1919; E. L. Adams, 1913-1915; H. D. Carter, 1919-1920; H. E. Moody, 1922-1923; R. Hugh White, 1906-1907; Harry T. Moore, Secretary, 1905-1920.

Foreign Bank as a Preferred Creditor

IN foreign countries the status of banks and particularly government-owned or controlled institutions in credit or bankruptcy proceedings is worthy of special consideration.

An interesting case along these lines has just been considered by the Foreign Credit Executive Committee of the National Association of Credit Men.

Recently, the Mexican government issued a decree amending the law under which the Banco de Mexico, S.A. operates. In the Mexican law creating this bank, one of the articles of the law as translated reads:

> "The credits originally constituted in favor of the Bank will have preference over all others, with the exception of those known as of the domain (de dominio), those of the government, those guaranteed by collateral, mortgage or 'refaccionario' credits duly registered."

In a recent liquidation of an old and prominent firm in Mexico the Banco de Mexico S.A. claimed preferential rights under this clause. While some of the bankers in Mexico had taken notice of this situation and declined to lend where the government bank would be a creditor, on the other hand, other banks having claims in this case probably will contest any preference.

This situation is one of interest to commercial and bank creditors of Mexican concerns who may be financed through the Banco de Mexico, S.A. For example, it is quite possible that a firm might have received certain accommodations based on its known assets and all interested creditors would feel properly secured provided each and all shared alike. If later this firm should [illegible] a loan from the Banco de Mexico, S.A. it might be claimed that the bank's credit would take preference over all other claims except those specially excepted in the law. This situation is further clouded by the interpretation of the wording "credits originally constituted" as to whether this would include prior credits or refers to direct loans and obligations.

The Banco de Mexico, S.A. is not primarily organized to do a general banking business, but operates largely as a rediscounting bank. And it is considered by some good authorities that in a case where the bank appears as holder of rediscounted commercial bills of a bankrupt firm, no preference would exist.

The recent decree further amplifies the original law and although not changing the previous preference, goes further and removes such credits in favor of the Banco de Mexico, S.A. from entrance into bankruptcy proceedings and meetings of creditors. The translation of the revised article follows:

> "Credits originally constituted in favor of the Bank will not enter into bankruptcy proceedings nor meetings of creditors, nor will there be joined to such actions any proceeding which may be had for the purpose of enforcing said credits. The said credits constituted originally in the Bank's favor shall have preference over all others, excepting such as are termed eminent domain, fiscal, secured by pledge, and mortgage or special industrial loans (refaccionario) duly recorded at a date prior to that in which the Bank made its loans."

W. S. S.

Payroll

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In making up final pay roll, the employee's wage card, pay roll check, pay statement and pay roll sheet can be made in one operation; or the cash envelope with complete detail, the cash receipt and pay roll sheet can be completed in one operation.

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Stock Records ☐
Of quantities—values—or both quantities and values together

Costs ☐
As shown on stores records, payroll and distribution summaries, cost sheets, etc.

Accounts Payable ☐
Ledgers with or without remittance advice—Journal-voucher system instead of ledger—including registration of invoices

Sales Audit ☐
By clerks and departments, cash, charge and C. O. D.

Distribution ☐
Labor—materials—purchases—sales—expense—cash

Journalizing and General Ledger ☐
Complete typewritten description, or date and amount only

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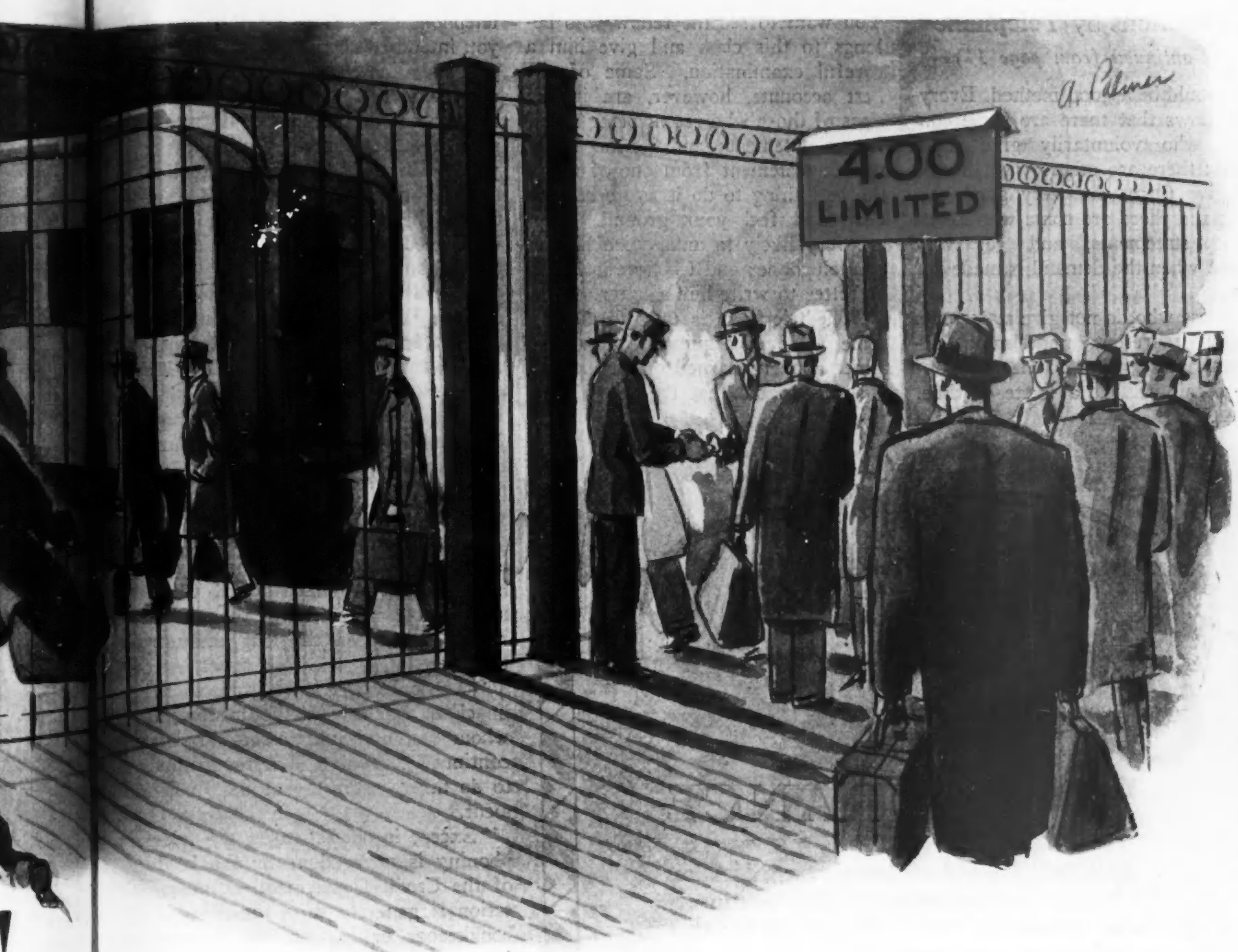

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[ ] Enclosed find \$4.00 for 1928 Credit Diary and Manual of Commercial Laws or [ ] Enter order and bill in due course.

(Individual) ....

(Co.) ....

(Address) ....

Collections by Telephone

(*Continued from page 14*)

if it would be a good method. Everyone knows that there are some concerns who voluntarily give statements; there are others who just do not give them—for very good reasons; and there are some who detest giving statements, and get very peeved when the demand is made for them.

"Those who do not give statements usually represent undesirable accounts, and it seems to me telephoning to this class is a waste of time. You want to see the fellow who belongs to this class and give him a careful examination. Some of the best accounts, however, are in the class of those who resent being asked for a statement; and if you really need a statement from one of them, the best thing to do is to go see the chap and feel your ground. You are very likely to antagonize him if you telephone; and I believe it would be better to write him a letter.

"The telephone is undoubtedly of some value in arguing with a customer about unearned discounts, but it seems to me that the use of the telephone depends on whether or not you intend to allow the discount. If you have firmly made up your mind not to allow it, I believe in keeping away from the telephone, because a personal contact might possibly make you weaken. If it is your intention to allow the discount, but you want to give the customer a dressing down, undoubtedly the telephone is a better medium than a letter.

"We always use the telephone in collecting city accounts. Through its use, *we have come to know the individuals in charge of paying the bills* and find that we get better results, with less friction, by telephoning. On out-of-town accounts which are considerably past due we resort to telegrams. We have not had a great deal of success in telephoning out-of-town accounts and prefer to have a written rather than an oral promise. Besides we have found when men are not ready to pay, they often refuse to talk on the long distance telephone.

"We doubt if it is advisable to be in close touch with the customers whom you find it necessary to dun continually. There is a temptation to do things against your best judgment.

"Except in special cases, the telephoning is never done by the head of the Credit Department. Conversation is generally with the debtor's bookkeeper or cashier, who is not usually particularly interested in whether or not he is talking to the department head.

"On out-of-town accounts we use the telephone as a last resort. The expense involved in its exclusive use would be prohibitive in our particular business."

The Credit Manager of one of the largest manufacturers of diversified food products uses the telephone for collecting accounts only in the metropolitan district, and then only in a few instances. "We depend almost entirely upon letters for the purpose of making collections, and as a rule the only direct contact we have with our customers is through our sales organization, which office then assists us in securing payments on delinquent accounts."

Speedy release of orders is one of the biggest advantages of the use of the telephone, according to L. E. Long, Office Manager of The Proctor & Gamble Distributing Company, New York, who points out that "as

(*Continued on page 28*)

FIDES ET JUSTITIA

Credit
INSURANCE

A PENNY saved is a penny earned. A loss saved is a profit earned. The best insurance obtainable is the preventing of loss that the Insurance protects.

Until the "London" entered the Credit Insurance business and provided "Service" there was no co-operation between Company and Insured.

The "London" has maintained the high standard of efficiency in helping to solve the problem of the Insured pertaining to the handling of *Slow* and *Insolvent* debtors. A record of twenty-two years has built up an experience to be proud of, touching every situation which may possibly arise.

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Head Office: 55 Fifth Avenue, New York City

Oliver J. Matthews, Mgr. Credit Insurance Dept.
C. M. Berger, United States Manager

Noise, an Office Nuisance

(Continued from page 9)

sociation. He thinks that noise does not have as bad an effect on the executives as it does on the stenographers and clerks, and that it is worth while to install noise-preventing devices. He predicts that within a few years from now the general office practise will take into consideration the elimination of the greater part of office noise.

Of course, when you have the offices on the same building as the factory, it is often extremely difficult to have a quiet office. An example of this is afforded by the Purity Bread Company, of Billings, Montana, whose Credit Manager is E. B. LeClaire, who says:

"Being in the bakery business, we have much noise to contend with. Our mixing room is right next to the office, and the rumble of the dough mixer continues practically all day long, causing considerable annoyance to the office workers most of the time. It is so noisy that it is difficult to carry a conversation or understand telephone conversation. I do not believe that we can overcome our trouble until the time comes when we are able to rearrange our shop. Although we have become used to the noise, I am sure that it would be much more pleasant and no doubt enable us to accomplish more work if at least a part of the noise could be eliminated. I hope the time will come when business men, setting aside a portion of the building for office space will take into consideration the reduction of noise to the minimum."

The Credit Manager of a large cotton mill describes in detail the efficient system used in his office to cut down unnecessary noise. He believes that "ordinary clicking of typewriters, adding machines and the like is not objectionable—a certain amount of this gives a busy feeling and has a good effect, although toning down this sort of noise is desirable.

"The noise that is more irritating is the loud, bawling telephone conversation, and even worse is the congregating of several conferences at the same time. We have provided a booth for long distance telephone calls, and a conference room, so that the general office will not be distracted by too much conversation.

A Ten-Minute Blow-off

"We require conversations between clerks to be conducted in an undertone, and discourage all except business conversations during business hours. We allow the girls the first ten minutes in the morning to get 'the night before' out of their systems, and they chatter it out (most of it) in that time.

"The heavier machines, addressograph, multigraph, graphotypes, etc., are on another floor where their noise will not disturb anyone."

This writer also thinks that noise in an office has a worse effect on the executives than it does on stenographers and clerks, and that in a few years from now, the general office practise will tend to eliminate the greater part of office noise.

Cleve H. Pomeroy, Assistant Treasurer of the National Malleable and Steel Castings Company, and President of the Cleveland Association of Credit Men, stresses the necessity of considering the factor of noise when new office and factory buildings are being contemplated. He believes "that noise in the work rooms of offices is only beginning to

(Continued on page 30)

A dividend record uninterrupted for 47 years

THROUGH almost a complete half century, A. T. & T. and its predecessor have paid dividends regularly. Its earnings—increasing each year—provide an ample margin of safety above dividend requirements, thus increasing the stockholder's equity.

Vital facts for investors to know about A. T. & T.:

Bell System service has ever kept pace with the nation's development. ¶ Its management is far-sighted, conservative, and yet progressive. ¶ Its laboratories employ 3,500 trained workers, searching for means to bring the nation's telephone service nearer to perfection. ¶ Its plant investment of $3,000,000,000 includes telephone and central office equipment costing over $1,000,000,000, over 54,000,000 miles of wire, 16,000,000 poles and 2,000 owned buildings. ¶ A. T. & T. owns over 91% of the combined common stocks of the operating companies of the Bell System. ¶ Its stock can be bought in the open market to secure a good return. Write for booklet, "Some Financial Facts."

BELL TELEPHONE SECURITIES CO. *Inc.*

195 Broadway New York City

Answers to Credit Questions

National Association of Credit Men

One Park Avenue, New York

Retaking of Chattels

Q. Is it necessary to bring suit against a customer in order to recover machinery shipped on a Lease and Order or a Conditional Sales Contract in the State of Virginia, when the terms of the contract are not fulfilled? If not, what steps are necessary to obtain possession of the machinery?

A. In reference to retaking a chattel shipped on a conditional sales contract, the general principle is that the seller may retake the chattel if he can do so without committing a breach of the peace. If he cannot retake peaceably, legal proceedings are necessary.

Trade Acceptances

Q. "A" held two trade acceptances—one dated 30 days and the other 60 days. The first trade acceptance was paid at maturity date, the second not taken up due to "B" filing petition in bankruptcy three days prior to maturity date of last trade acceptance. Does the trade acceptance in any manner take priority over the regular outstanding indebtedness?

A. No, the trade acceptance does not have priority in any manner over the other outstanding indebtedness of "B."

Banks

Q. What claim would a concern have where a bank, to which a draft with bill of lading attached has been forwarded by the bank of deposit for collection, collects the proceeds of the draft, and after having surrendered the bill of lading closes because of insolvency, with the money still in its possession?

A. The Courts quite uniformly adhere to the theory that before the collection is made the relation existing between the owner of the paper and the collecting bank is that of principal and agent; (3 R. C. L. page 634). When the collection has been made, the relation existing between the owner of the paper and the collecting bank depends upon the intention of the parties. (3 R. C. L. page 632).

According to the view now generally adopted—though not without exception—the relation of debtor and creditor arises after the collection has actually been made, as in the instance stated by the inquirer. This conclusion is based upon the custom of banks to credit those for whom collections have been made, and remit in the bank's usual exchange.

There is no question but that the inquirer has a claim against the insolvent bank. Whether or not it has a claim against the bank of deposit depends upon two factors: (1) Whether the b[illegible] deposit was negligent [illegible] its correspondent, or (2) [illegible] which has resulted was due to negligence or fault on the part of the correspondent selected by the bank of deposit.

The rule is, we believe, universal that if the bank of deposit was negligent in the selection of the corespondent bank, it is liable for any damage which results. In the majority of states, the bank of deposit is not liable for negligence on the part of its correspondents, provided only that it has not itself been negligent in the selection of its correspondent. A few states have adopted a contrary rule, to the effect that the bank of deposit is liable for any default on the part of the correspondent bank.

For a discussion of these two rules, see Credit Man's Diary and Manual of Commercial Laws for 1927, beginning at page 334.

Assuming that the inquirer's claim is, as is most likely, only against the insolvent bank, the important question is whether or not the inquirer is entitled to a preference, and the answer to this question depends upon whether the relationship between the bank and the inquirer is that of debtor and creditor or principal and agent. If the relationship be that of debtor and creditor, no right to a preference exists and as stated above the majority of states have held this to be the case. Decisions to this effect will be found in Georgia, Indiana, Massachusetts, Michigan, Minnesota, Missouri, Mississippi, Pennsylvania, Tennessee, Texas, Washington.

It is impossible to determine, however, from some of these decisions whether the right to a preference is denied on the ground that there is no trust or on the ground that the funds cannot be traced, because even where a trust relationship is held to exist, the claimant is required to trace and identify the funds.

Where the funds collected have been so mingled with the bank's general funds that identification is impossible, it will probably be universally held that no preferential recovery can be made.

For an excellent statement of the majority rule, see *Hecker-Jones Jewel Milling Co. vs. Cosmopolitan Trust Co.*, 242 *Mass.* 181.

On the other hand, there are cases in Arkansas, Illinois, Kansas and New York in which it was held that the relationship of principal and agent continues to exist after the collection of the paper, and therefore that a trust in the proceeds exists, and that the claimant is entitled to a preference if the funds can be traced. Notable among these cases is *Re Bank of C*[illegible] 198 *N. Y. App. Div.* 733.

As To Legal Advice

THE National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—*E. P. P.*

Terms of Sale

Q. (a). If [illegible]itor [illegible] goods to a debtor o[illegible]s of 10% [illegible]n proximo, the 10% [illegible] understood as cash discount [illegible]ebtor fails to remit [illegible]o but pays at some [illegible] any legal precedent [illegible]d be justified in de[illegible] a certain portion of the 10% as trade discount?

(b). In the case of a bankrupt, where the bankrupt has purchased goods on the above terms and still owes for the merchandise, the discount period having lapsed, would the referee in bankruptcy, in passing on the claim of this creditor, be justified in scaling down the amount of the claim by treating a certain amount of the 10% as trade discount?

A. There is a well recognized difference between a cash discount and a trade discount. The cash discount is a premium allowed for prompt payment. A trade discount is a special allowance from the cost price which has no relationship to the date of payment. A debtor who fails to pay within the time limited by the cash discount term has no right thereafter to deduct any portion of the discount as a trade discount. If the trade discount be allowed, it is an entirely separate proposition.

Nor would a referee in bankruptcy be justified in reducing the amount of its claim by treating part of the cash discount as a trade discount.

Foreign Corporations

Q. Which states require foreign corporations doing business within their borders, to appoint an agent upon whom legal process may be served in case of a suit against the corporation?

A. So far as we are advised, every state requires a foreign corporation which is licensed to do business within its borders to appoint a resident agent for the service of process. Whether or not a corporation is doing intra-state business within the foreign state is a question which must be determined in order to decide whether or not a license is necessary. A corporation transacting only interstate business is not required to have a license.

You're Crazy! I'm Netting $15,000 a Year Now!"

Ask your stationer or write today for your copy of our new catalog-manual, "Worth Keeping—Records That Talk."

"YES," agreed the accountant, "that may be true, but perhaps you are not netting all you should. Do you really *know?*"

The manufacturer of electrical appliances rather resented suggestions. Hadn't he built up a profitable business from nothing? And wasn't his electric toy "Jumbo" one of the hits of the season?

Yet the accountant's words stuck in his mind. Some months later, he decided the advice might be sound. He installed a new accounting system—by departments.

The system shattered some beautiful illusions. It told the manufacturer he was *making* $30,000 a year on his staple lines—and *losing* $15,000 on "Jumbo," his pride and joy! "Jumbo"—the toy with such a big margin of profit!

Reluctantly he discarded "Jumbo." His profit column tells a different story now!

Irving-Pitt Records That Talk expose the "Jumbos" in your business. Clear, concise and specialized, I-P Accounting Systems substitute facts for guess work. They are easy to use because they are easy to understand—nothing high brow or superfluous. Sizable concerns and small retailers alike find I-P Systems ideal for their particular requirements. See your I-P stationer or write us today for our new catalog-manual, "Worth Keeping — Records That Talk."

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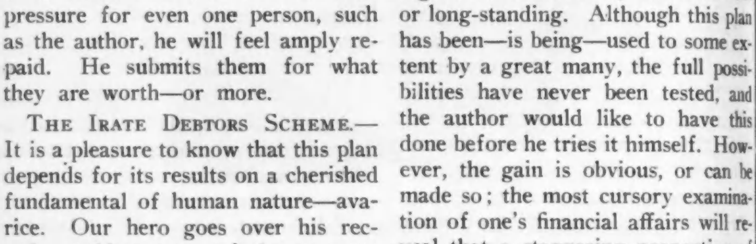

Christmas Money

THIS perennial problem of raising enough money for Christmas has got to have a solution, if it takes the hide off. While apparently the demand for money always exceeds the supply, it is felt that increasing the income is the only practicable method, and that by employing one or more of the plans described below, the whole matter will seem almost too simple. At all events, principally expensive dinners and such, if the following suggestions should relieve the financial pressure for even one person, such as the author, he will feel amply repaid. He submits them for what they are worth—or more.

THE IRATE DEBTORS SCHEME.—It is a pleasure to know that this plan depends for its results on a cherished fundamental of human nature—avarice. Our hero goes over his records, making notes of the amounts owed him by various business men and houses he has dealt with, friends, and last but not least (as he will soon discover), enemies who once were friends. He then mails statements of the sums owed him to all the debtors, having raised the actual amounts several dollars in each case. For explosive example, Bill Smith, who owed our hero ten dollars since Old Home Week five years ago, gets a note requesting payment of "That twelve dollars borrowed to get a new hat and ticket home with." And so on—commercial houses being billed for five to twenty dollars over their actual debts. Our hero then sits down and waits; shortly a stream of hysterically angry debtors will enter, waving their overstatements in our hero's face, and shouting that the real figure is thus and less. With a final vindictive stamp, each debtor will pay the real amount and walk out swearing, nay cursing that that's all our hero will ever collect for *that* debt. It will help our hero at this point of bearing and hearing such blows, if he will gently run his fingers over the cool, green surface of his newly-collected Treasury certificates. This plan is of value when one has money owed him; if one has no such money owed him, he doesn't need any Christmas-fund scheme.

THE INDIRECT, OR NEGATIVE PLAN.—This operation not only gets quite a sum in hand quickly, but saves a great deal of time, eliminating, as it certainly does, the irksome business of writing checks, mailing them, and checking up endless bank statements. In short, it consists in paying no bills whatever, either current or long-standing. Although this plan has been—is being—used to some extent by a great many, the full possibilities have never been tested, and the author would like to have this done before he tries it himself. However, the gain is obvious, or can be made so; the most cursory examination of one's financial affairs will reveal that a staggering proportion of one's income goes for purchases of this, that, and many other things. Mention was made of current expenses; this could be extended to gas, water, and taxes. If it should be discovered, in operating this scheme, that much could be gained by buying on credit articles usually paid for in cash, so much the better. Simply, very simply—*pay no bills*, and the results are bound to be startling. It may be conservatively guessed that many a man's whole outlook will be changed in a very short while. The sum of money, then, that usually goes out in payment of bills as soon as it comes in, is the fund it was desired to raise, and may be spent as one sees fit, whether for bandages or whatnot.

THE ACCEPTED CHALLENGE PLAN.—This necessitates having taken the first steps quite a while before this advice is printed, but is well worth the effort. And although it may require more will power than some of the other methods, the returns are certain for all who don't object to indulging in what must be called, technically speaking, gambling. This

is, our hero purchases a tube of a certain well-known brand of tooth paste, whose makers also offer to wager that, one tube having been bought, the purchaser will come back for more. Our hero accepts this wager at the counter, and then strengthens himself for the long struggle of resistance to come and buy another. He is free to use the first tube of paste, if that helps any. At the end of two or three months' holding out against the urge to buy a second tube, he may be considered to have won the wager, and should write a polite note to the manufacturers, requesting payment. To be on the safe side, those following this method for the first time should make the wager small, until repeated winnings have given them confidence in their powers.

OBJECTIONABLE PLAN.—Whether one employs one of the above plans or invents an even worse one, due warning should be given against a commonly-advised method, to wit: get out and earn the money. This earning the money one needs has been found most unsatisfactory whenever tried, and is not to be considered for a moment. Furthermore, even should this ill-favored plan produce some money, there is every liability of its being wasted in some obnoxious practice, such as buying Christmas presents.

Wayne G. Haisley.

"The Continuing Clause"

(*Continued from page 17*)

(with a "continuing clause",) which *was true when made.*

In order to protect their interests, it is recommended that creditors, when extending credit on the basis of a financial statement containing a "continuing clause", refer in writing, in some way or other, to the continuing effect of the statement, whenever purchases are made on credit by the debtor.

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COST SYSTEMS—TAX REPORTS

Is Your Debtor Bonded?

(*Continued from page 12*)

where a large part of the product is sold upon some sort of deferred-payment plan. No expert credit manager nowadays would deem it safe to authorize such accommodation unless the seller were protected with conversion bonds—bonds conditioned that the partial-payment buyer will not steal the article (automobile, washing machine, radio set, etc.) before completing his payments. In the case of some industries largely given to this method of mortgaging the product, other bonds beside the conversion variety protect the seller and are essential to his safety.

If space permitted, many additional examples might be cited of surety bonds useful to credit managers under certain conditions. Where a credit manager is not thoroughly posted on surety bonds he is likely to have an acquaintance or friend in the surety business, with whom he may discuss the subject. Surety men are eager, even anxious, to impart information to anybody seeking it, and to offer their best advice.

Saving Money *for the* Customer

A poultry dealer in Iowa shipped 200 boxes of chickens to an agent in New York, who had engaged to dispose of them. Later, the shipper felt that his interests were not being properly looked after and through his local bank instructed the American Exchange Irving to take over the shipment.

The warehouse receipt for the chickens, which were in storage, was obtained and the transfer was made. When the shipper failed to find a buyer, this Company came to the rescue. Bids were asked for and the highest offer was telegraphed to the shipper's bank with the result that the sale was made and the owner was protected from loss.

The Out-of-Town Office of this Company takes every precaution to safeguard the interests of its customers.

OUT-OF-TOWN OFFICE
AMERICAN EXCHANGE
IRVING TRUST COMPANY
Woolworth Building, New York

Collections by Telephone

(Continued from page 22)

the territory handled by the New York office of our company is comparatively small, we find the telephone a big asset in conducting our Credit Department.

"We can telephone to virtually any part of our territory at very small cost and we consider the telephone cheaper and quicker than collection letters. We are not only enabled to collect our bills promptly, but also to release orders without any undue delay.

"We use it more often than personal calls in soliciting financial statements—with highly satisfactory results. Usually when we get the dealer to promise over the telephone that he will give us a statement, we immediately write to him, enclosing one of our blank forms and a self-addressed envelope. *Nine times out of ten the statement comes back to us in the next mail.*

"We also use the telephone a great deal relative to unearned discounts, and to remind debtors that bills are past due. We feel that a call over the telephone brings better results than a letter. We have on our books numerous accounts, in dealing with which we use the telephone exclusively, and rarely write letters to any of these customers.

"All members of our Credit Department use the telephone. This work is not in any way delegated entirely to the head of the department. As a general rule, no more time is spent in handling a telephone call than would be consumed by a letter, and the telephone also saves the stenographer's time, the stationery and the postage.

"We seldom have to call more than once to collect a bill for the reason that our business is of such a nature that the customer knows he will have to pay before he can get any more goods." The fact that we have had an order is in many cases the reason for our using the telephone."

C. G. Brandy, of the Frank A. Smith Company, Inc., Philadelphia—manufacturers' agents for a number of well-known food products concerns—uses the telephone extensively. Mr. Brandy says that experience with the telephone shows that it has marked advantages in credit work "in asking for financial statements, arguing about unearned discounts, or in collecting bills, because it provides at least a semi-personal contact with the customer. A letter may be read and forgotten, or even not read at all. We are convinced that by telephoning we are getting in closer touch with the customer and that we can bring about a much better understanding than we could through a letter.

"This work can be delegated to an assistant in the Credit Department, provided that he is a high type of man. It should never be left to one who has not a full sense of responsibilities concerning the situation to be handled.

"Where an account has been difficult to collect and many letters have been written, telephone contact has shown a marked success. Figuring the cost of a collection letter at 35 cents against an average of 25 cents for telephone call, including time, it can be seen that the telephone is far less expensive. Although it takes only one or two telephone calls to collect the average difficult account, it may take six or seven letters. It is cheaper and quicker to use the telephone."

W. Fromhold, District Credit

In the year 1748
Benjamin Franklin said;
"Good sense is a thing all need, few have, and none think they want"

Add to the enjoyment of your visit; choose your hotel wisely and apply Franklin's doctrine of good sense.

The BENJAMIN FRANKLIN is the newest and most beautifully furnished hotel in the midtown section of Philadelphia

1200 Rooms, each with bath
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FEDERAL INCOME TAX GUIDES
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INCOME TAX REVIEW, 165 Broadway, NEW YORK, N. Y.

XUM

Manager of Wilson & Company, Philadelphia, deems it advisable to write for financial statements rather than to telephone, because a well worded letter, "emphasizing the reciprocal value of the information necessary, with the request that this be handled at the customer's convenience, usually proves effective. In the event that such a letter is ignored, a friendly personal visit ordinarily accomplishes results. This phase of our work being of a confidential nature, we prefer not to handle it by telephone.

"A disputed item or deduction of unearned discount should be disposed of promptly, and can be handled best by telephone. Deferred action in such cases often creates a false impression on the part of the customer, which is sometimes difficult to adjust at a later date.

"When asking for payments due, we are inclined to favor mail service. However, when an account becomes delinquent, the telephone is used extensively, because a promise thus made cannot be easily broken without embarrassment to the debtor. Too many excuses are possible when handling past due accounts by mail, although our system embraces both telephone and mail in following such delinquents.

"We are in favor of visiting our customers periodically if possible, rather than getting in touch with them by telephone or mail. If a personal visit cannot be arranged conveniently, or in case of emergency, the telephone is used. If the debtor is located at a distance, a letter is written; the method depends solely on the importance of the matter at hand.

"In any large business it would be a physical impossibility for the Credit Manager to handle all of the necessary telephoning. The Department personnel, well trained, should be allowed to handle such matters in accordance with their importance.

"The first collection effort is made by writing, the follow-up usually by telephone. Although the actual cost of using the telephone may appear high, it is more than offset by the good results obtained.

"It would be inadvisable to restrict the Department to either method. Credits, unlike many other phases of a business, demand that the action taken be determined on the individual merits of each case. We endeavor to live up to this principle."

Only those whose signatures are unimportant can afford to be careless in buying ink

Only SANFORD'S

Has Stood the Test for 70 YEARS

Create a Sense of Security
Nationalize Your Credits

The prosperity of your company must be based on prudence. No matter how efficient the credit department may be, you must always be prepared for the unexpected.

Credit Insurance eliminates the element of chance. After the credit has been extended, title to your goods has passed from you. Your credit department has done its work in making sure of the buyer's standing at the time of the sale. The World's Largest Surety Company is able to go much further. It guarantees to prevent, else pay all abnormal credit losses.

Write for details of our Credit Insurance Policies

National Surety Company

WM. B. JOYCE, Chairman
E. M. ALLEN, Vice-President
E. A. ST. JOHN, President
W. L. CLEMENS, Asst. Vice-President

115 Broadway, New York

Agencies in All Principal Cities

XUM

Fire!

Total loss — Late shipments not paid for — Quick trip to scene "Insurance?" "Yes" National Liberty agent already on job assures quick efficient service. Owner amply protected. Creditors safe from loss.

National Liberty Insurance Company of America.

709 Sixth Ave.
New York

Over $72,000,000.00 Losses Paid Since Organization.

Noise, an Office Nuisance

(Continued from page 23)

receive the attention that it should. In modern buildings it seems quite possible to control the noise producing factors, and it is a question that should be given consideration.

"It might be difficult and expensive to correct this trouble in structures already built and equipped, but in the case of contemplated construction, I believe that any manager would check the matter thoroughly with his architect and builders.

"Our own office building was completed only a few years ago and is modern and complete in every respect, except as to the control of noise. Had this question been considered at the time of construction, the efficiency of operations in our General Accounting Department alone, would have been vastly improved."

D. C. Proctor, Credit Manager of the Jefferson Drug Company, Beaumont, Texas, and President of the Beaumont Association of Credit Men, thinks the problem of noise cannot be controlled in a small office, that noise has just as bad an effect on the executives as it does on the stenographers and typists, that it is worth while to install noise-preventing devices, and that in a few years from now, the factor of noise will be carefully considered and eliminated as far as possible from offices. He says:—

"We have just moved into a new building, and luckily, the elimination of noise was carefully considered in its construction. Our old offices were small; and we learned that noise is the greatest cause of inefficiency. We now have a very large office, with everything spaced to eliminate every possible noise."

How the Credit Department of the United States Shoe Company, Cincinnati, eliminated the noise of typewriters and tabulating machines, is described by A. T. Woodward, Assistant Secretary, who is also President of the Cincinnati Association of Credit Men, as follows:

"This problem of noise in the office has had some attention from us in our organization here. It is a difficult thing to overcome, and excessive noise in an office unquestionably does interfere with efficiency and with concentrated attention to one's work.

"This noise became so distracting some two years ago that we built a special sound-proof room where we operate our tabulating machines. These had formerly been out in the general office and were so noisy that upon my insistence we made this provision which has eliminated any noise from that source. We also have adopted noiseless typewriters in most of the private offices where there are stenographers.

"I have never wished to have a typewriter operating in my private office because I find the noise distracting and because it interferes to a great extent with the concentration which is so necessary in our type of work. We have private offices for our executives not only because it affords better opportunities for conversations with customers and visitors, but also because it to a large extent eliminates the noise which is unquestionably distracting to executives, also to those in the general office.

"In my opinion it is decidedly worth while in an office to take whatever reasonable steps can be taken to reduce or eliminate unnecessary noises. We still have some machines in our office that are noisy, but which we have found it impossible to eliminate in a satisfactory manner, such machines as our duplicating machines for reproducing factory tickets, equipment in the mailing department for the receiving and sending out of mail, and of course billing machines and typewriters generally.

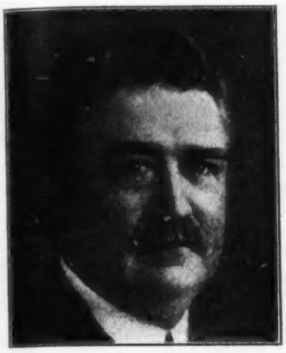
"The noise from a number of typewriters, one can become accustomed to; but these other noises which are louder and less regular are much more annoying. For instance, we at one time had a very noisy call system in our general office. This we discontinued because of the annoyance it caused."

Harry C. Dodson, Credit Manager of the Orr Iron Company, and President of the Evansville Association of Credit Men says:

"Especially if my physical condition is not up to standard, I find that on certain days office noises 'get on my nerves,' and make it very hard for me to do my work."

He also believes that in a few years much more will be done towards eliminating noise, thus increasing the efficiency of the office workers.

Joseph Kirk



THE death, on November 2, of Joseph Kirk, for forty years Attorney for the San Francisco Board of Trade, removes from the credit world one of its most respected and powerful figures. The dominating position of the Board of Trade in San Francisco is due largely to the energy, skill and character of Mr. Kirk.

He died at his home in San Francisco after an illness of less than a week.

Addresses Wanted

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ALYEA, C. B., formerly of Downers Grove, Libertyville and Hinsdale, Ill.
BARAFF & SUPERSTEIN, formerly 249 Market Street, Philadelphia, Pa.
BRADFORD, SPEED, operating auto endurance and other pubicity schemes, transient, operating very recently at Omaha.
BRANNER, HAROLD C., Dresscraft Co., 151 W. 35th St., N. Y. C., also 27 Main St., Yonkers, last heard of at 315 W. 98th St., City.
COFFMAN, ORVAL, formerly of Goodland, Kas.
COHEN, ELSIE, formerly of 193 Lee Ave., Brooklyn, N. Y.
DAVIDSON, L. H., formerly of Manuel, Ky.
DEMPSEY, S., former owner of the Dempsey Candy Co., 5650 S. Halsted Street, Chicago, Ill.
DILLON, ELLWOOD, director of special celebrations and fairs, transient.
DRIEBILLIS, P. M., formerly of Charleston, West Virginia, dba Elevator Service Co.
FILLER, JOS. C., 922 17th St., N. W., Washington, D. C.
FISHER, JACOB, prop. United Grocery Co., 21 Lemon Street, Bridgton, N. J.
FUCCI, J., Excello Beauty Shoppe, Brooklyn, N. Y.
GABRIEL, EMIL J., Fort Lee, N. J.
GIBSON & CO., Room 901, 189 W. Madison St., Chicago.
HAY HELLER DRUG CO., formerly 307 Livingston St., cor. Nevins, Brooklyn, N. Y.
HENNINGS, W. H., prop. Hennings Mfg. Co., formerly located at 679 West 16th St., Chicago, Ill.
HERRING, MARK, Wyaconda, Mo.
HOUCK, J. M., under name of Reed's Candy Shop, formerly Camden, N. J., believed to be in Baltimore, Md.
KUGLER, JAMES, formerly 46th St. & 46th Ave., St. Petersburg, Fla.
LAKE, H. E., dba Labu Radion Shop, Wymore, Nebr.
MARSHALL, E. J., formerly traveled in Michigan and Ohio.
MARTINEZ, RAMON, pres. International Standard Export Co., 59 Wall St., N. Y.; also conducted retail haberdashery in Bronx, under name of Ramon Martinez.
MAYNOR, W. H., insurance agent, formerly of Buffalo, afterwards Syracuse, N. Y.
MEYERS, A., formerly 7337 Third Ave., Detroit, Mich., later Birmingham, Mich.
MIRE, CHARLES K., Elkins, W. Va., dry goods and notions, now located either in Penn. or Maryland.
MURRAY, J. P., 324 Julia St., Jacksonville, Fla.
NOVACK, FRED, 11401 East Jefferson St., Detroit, Mich.
OLIVER, C. C., formerly traveling salesman, last heard of at Buffalo, Nebr., and Saulte Ste. Marie, Mich.; at one time at 2025 Lane Court St., Chicago, Ill.
PEAT, OLIVER, formerly 1713 Drier Hill Ave., Baltimore, Md.
RAPPAPORT, JACOB B., 547 Central Ave., Newark, N. J.
REICH, RALPH, formerly electrical contractor at Ringtown, Pa.
ROBERTS MOTOR SALES, 6050 Cottage Grove Ave., Chicago, Ill.
ROSE, FRANK, 17-19 State Street, New York, N. Y.
ROSENFELD, LOUIS, formerly located at 1018 15th Street, Denver, Colo.
RUPERT, NELLIE, tdg. as Dainty Specialty Shop, 253 Jackson Ave., Long Island City; now believed to be in Elmhurst, Long Island.
SCHMUCK, E. M. (MRS.), formerly of 13256 Baltimore Ave., Chicago, Ill.
SEIDMAN, ISIDORE, formerly 315 East 104th St., New York City.
SHAW, FRED, tdg. as Seventh Ave. Electric Shop, 1103 7th Ave., Altoona, Pa.
SMIDLER, R. A., located at 7101 So. Halsted St., Chicago, about Dec., 1925.
SMITH, F. D., formerly of Grand Rapids, Mich., and Lowell, Mich.; reported to be living in California.
SMITH, JAS. W., formerly located at Iron Mountain, Calumet Laurium, Mich., and Chicago, Ill.
STERNBERG, HENRY, formerly 1103 E. 43rd Street, Chicago, Ill.
TUCKER, MRS. OLIVE S., formerly owner of the Pasadena Hotel, 61st St. and Broadway, New York City.
UNDERWOOD AUTO PRODUCTS CO., formerly 2132 Indiana Ave., Chicago, Ill.
UNSER, ALBERT, foot of East 92nd Street, Canarsie, N. Y.
WAITE, IVAN C., formerly of Grand Rapids, Muskegon and Grand Haven, Mich.
WALSH, J. F., formerly in concrete business in Chicago, now believed to be in New York.
WARTA, E. E., formerly of Bavaria and Brookeville, Kas.
WILSON, WILLIAM, formerly of Herington, Kas.
WATERS, PAUL, formerly residing at 1144 Grand View, Los Angeles, Calif.
WEBSTER, FRANK G., bldg. contractor, formerly located at Shelby, Montana.
WOLF, MORRIS, 2411 Atlantic Ave., Atlantic City, N. J.
WOLFE, C. E., formerly meat cutter, then operated Richmond Terrace Grocery in El Paso, Texas; now reported to be in Indiana.
YETTER, FRED, 5515 Greenwood Ave., Chicago, Ill.
ZENK, JOE, formerly packing business, Bluefield, W. Va.

FAILURES
Greater Than In 1926

Bad debt loss figures for the first 9 months of 1927 were $511,892,959, as compared with $463,212,185 for the same period in 1926. For the month of September, 1927 they were $40,081,123. For September, 1926, only $35,288,534.

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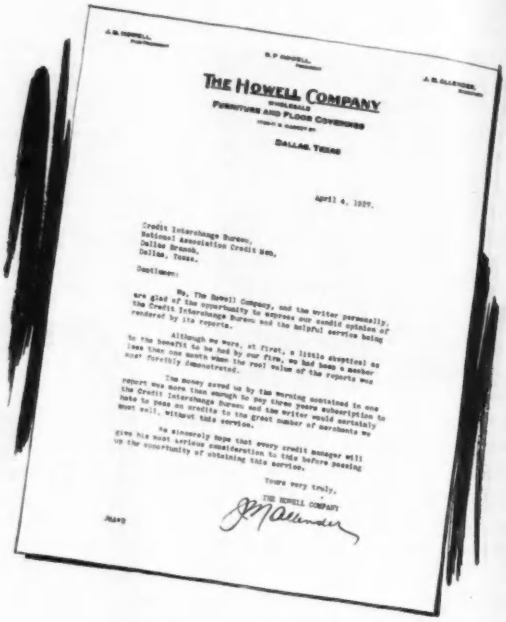
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April 4, 1927.

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Dallas, Texas.

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We, The Howell Company, and the writer personally, are glad of the opportunity to express our candid opinion of the Credit Interchange Bureau and the helpful service being rendered by its reports.

Although we were, at first, a little skeptical as to the benefit to be had by our firm, we had been a member less than one month when the real value of the reports was most forcibly demonstrated.

The money saved us by the warning contained in one report was more than enough to pay three years subscription to the Credit Interchange Bureau and the writer would certainly hate to pass on credits to the great number of merchants we must sell, without this service.

We sincerely hope that every credit manager will give his most serious consideration to this before passing up the opportunity of obtaining this service.

Yours very truly,
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J. M. Allender

Figures Speak Louder Than Opinions

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Toledo, Ohio
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Utica, N. Y.
Wheeling, W. Va.
Wichita, Kan.
Youngstown, Ohio

For further particulars 'phone or write the
Credit Men's Association Offices in any of the above cities, or

NATIONAL ASSOCIATION OF CREDIT MEN

New York
One Park Ave.

Chicago
First Natl. Bank Bldg.

St. Louis
214 N. Sixth St.

Expert Editorial Board of Credit Diary & Manual

EXPERIENCED attorneys, each one thoroughly familiar with the commercial laws of his State, make up the Advisory Editorial Board of Attorneys of the "Credit Diary and Manual of Commercial Laws for 1928," published by the National Association of Credit Men.

As a result of the painstaking work of these experts, the 1928 edition (the twentieth) of this standard Manual will contain up-to-date revisions of summaries of all the commercial laws with which credit managers are concerned. The Board consists of the following:—

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XUM

The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

"4 H.B.R."

HARVARD BUSINESS REPORTS, Volume 4. Harvard University Graduate School of Business Administration. A. W. Shaw Co., Chicago, 1927. 554 pp. $7.50.

Most of the cases in this volume, to be cited as "4 H. B. R.," are commented on by John W. Riegel, Instructor in Labor Relations, and now Educational Advisor for the Dennison Manufacturing Company. Other commentators, handling one case each, are Elton Mayo, Associate Professor of Industrial Research; F. A. Silcox, Secretary to the Printers' League Section of the New York Employing Printers' Association, Inc.; Glenn A. Bowers, of Industrial Relations Counselors, Inc., New York; Gorton James, Instructor in Industrial Management; and William James Cunningham, Professor of Transportation.

This series of reports has a strong personnel flavor. The outstanding problems have to do with wages, hiring and discharging, promotions, vacations, working conditions, discipline, educational training, union relations, employee stock ownership and profit-sharing, benefit plans, medical service, reduction of unemployment, arbitration of labor disputes, and production and quality control. Credit problems figure only incidentally, and the chief value of the cases to credit executives lies in the light they shed upon general principles of business organization and operation.

The sequence of cases is significant. It is based on three general types of issues: first, current operating issues; second, questions regarding the channels through which such issues are negotiated, and the status collectively of employees and of employers; and third, problems arising from those relations between employer and employee which are superimposed upon the labor relationship.

In the first group are cases which refer to manning the enterprise, the development of abilities, problems of leadership and supervision, and the provision of incentives. The second group contains cases which deal with employee representation or agreements with labor unions. The third has to do with cases bearing on such problems as employee medical service, housing and pensions.

As was the case in the preceding three volumes, fictitious names are used in all but a few instances. Five cases, however, carry the actual names of the concerns involved, these being the Simplex Wire and Cable Company, the Cleveland Garment Manufacturers Association, the Printers' League of New York City, the Endicott Johnson Corporation and the Western Clock Company.

With this fourth volume in the Harvard series, the use of the case method as applied to the scientific study of business problems may be said to have passed the experimental stage. The series will, of course, be augmented from time to time but the four volumes already assembled constitute an admirable basis for intensive study, either in a class room course or by individuals or groups studying independently.

Mechanically, these volumes are completely satisfactory to all who appreciate well-made books. The type is clear, the margins adequate and the binding designed to withstand constant handling. Incidentally, the use of Arabic numerals is significant. This is not "IV H.B.R.," but "4 H.B.R." Number 5, or 6, or 7, we respectfully suggest, might well be made to deal with the important problems of credit principles and practice.

A Timely Revision

CORPORATION PROCEDURE Thomas Conyngton and R. J. Bennett. Ronald Press Co., N. Y., 1927. 1,479 pp. $10.

In this revision by Hugh R. Conyngton, brother and former business associate of one of the authors, we have another instance of an old friend in a new dress. The book is a standard manual for officers, directors, attorneys and others concerned with corporate management, and combines the material which originally appeared in Thomas Conyngton's "Corporate Management and Corporate Organization" and R. J. Bennett's "Corporation Accounting."

The material is grouped under eight general headings: the corporate structure; the corporate control; capital stock and shares; corporate bonds and notes; corporate organizations; combination, reorganization and dissolution; and corporate forms. The forms alone, of which there are 341, constitute the equivalent of a fair-sized book.

One outstanding feature of this revision is the up-to-the-minute treatment of the important problem of no-par value stock. Chapters 39 and 40 (score another victory for Arabic numerals) are headed respectively "Shares without Par Value" and "Use of No-par Value Shares." Chapter 54 is devoted to the accounting aspect of shares without par value.

Both the advantages and the disadvantages of no-par value shares are thoroughly discussed. Among the latter is the charge that the use of no-par value removes from the balance sheet the "given base, a set par value." Dr. Ripley's book, "Main Street and Wall Street," is quoted to the effect that "the good old-fashioned balance sheet practice has been knocked galley-west. The accounts, instead of starting from a bench mark, solidly established, theoretically at least, start from nowhere and as certainly fetch up nowhere in particular."

However, the authors conclude, such objections as these are not really vital, nor are the defects found in practice incurable. The adoption of laws permitting and regulating the use of no-par value stock in the great majority of the states of the Union and the adoption of such stock by large numbers of the substantial and successful corporations of the country is, in the opinion of the authors of "Corporation Procedure," the best evidence of its real practical value.

Murmurs are frequently heard, in these days, about the rising cost of business books. There are, in the opinion of the reviewer, two comments which should be made on such complaints. One is that the cost of *all* books is rising, and the business book publisher has to

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pay just as much for his composition, his paper, his presswork and his binding as does the publisher of novels or cook-books. The other is that the business book producer is selling in many instances not only printed paper but a business service that may bring the buyer an actual financial return greatly in excess of the amount spent in purchasing the book. "Corporation Procedure" lists at ten dollars. Having it at hand may easily help the business executive to avoid errors of commission or omission that might cost him hundreds or even thousands of dollars.

Another Economics Text

RUDIMENTS OF ECONOMICS. William W. Hewett. Thomas Y. Crowell Company, New York, 1927. 247 pp. $1.75.

The tendency to prescribe economic fact and theory in doses that will not upset the stomach of the business executive is fortunately persisting. Texts on economics were, for many years, heavy to handle and heavy to read. The texts of today are almost uniformly of the primer type.

Dr. Hewett, the author of "Rudiments of Economics," is Assistant Professor of Economics at the University of Pennsylvania. While his book is intended primarily as a text for classroom use, its form and content are such as to make it particularly useful to general readers. It is compact, but does not dodge the complex generalizations which form the basis of economic theory.

The introductory chapter discusses the scientific method of approach, and applies it directly to our economic life. Chapter II deals with the rise of the present economic order and Chapter III with the nature and the agents of production. The author then takes up the organization of production; how commodity prices are determined; and the use of money as a medium of exchange.

"Credit and the Banking System" is the subject of Chapter VII. In this Chapter Dr. Hewett discusses the meaning of credit; types of credit instruments; and banking uses of credit. "Credit," says the author, "plays an important and useful part in the business world. It economizes the use of gold and silver, makes possible the payment of debts over long distances without the movement of money, and aids business men in securing capital necessary to the financing of their various enterprises. With the accumulation of experience under the operation of the Federal Reserve System, the future is bright, for that system permits the tempering of business enthusiasm with the restraint and co-ordination necessary for social well-being."

Other chapters have to do with price level movements and the business cycle; international trade; the distribution of income; waste and inefficiency; governmental finance; and relations between capital and labor. The concluding chapter is on "Economic Progress." In this chapter Dr. Hewett gives his position on the indictment against capitalism, the relations between government and industry, and programs for social reform such as socialism, the single tax, and various forms of co-operative activity.

The concluding sentences of this economic guide-book are worth quoting: "Any reform program that claims to be adequate to solve all our problems and establish at once an economic paradise should be looked on with suspicion. Progress seems to come from careful study of each problem as it arises, and time must elapse before we can hope to achieve a successful solution. Our duty is to recognize our faults and sincerely apply ourselves to the task of elevating the social and economic lot of mankind. Just as the world today is very different from the world in which George Washington lived, so in all probability will the world of our great-grandchildren be different from the world of today. The individual is a rash one indeed who is willing to venture a prediction as to just what course the evolution of society will take."

A Study in Finance

THE BUILDING-AND-LOAN ASSOCIATION. Robert Riegel and J. Russell Doubman. John Wiley & Sons, Inc., N. Y., 1927. 320 pp. $3.

The authors of this treatise are respectively Professor of Insurance and Statistics and Assistant Professor of Merchandising in the Wharton School of Finance and Commerce, University of Pennsylvania. Dr. Riegel is also known to the credit fraternity as an active member of the Committee on Education and Research of the National Association of Credit Men.

This is essentially a manual of building-and-loan association technique. It covers all of the important factors,—organization, operation, loans, accounting and advertising, and contains information that is of practical value to realtors, state officials, accountants, economists, bankers and prospective purchasers of homes.

The initial chapter deals with the organization of a building-and-loan association. Chapter II covers the rights and duties of stockholders, directors, and officers. Subsequent chapters are concerned with solicitation of members; meetings and shares; withdrawals, maturities and transfers; types of loans and loan procedure; and settlements, repayments and defaults.

Special chapters are devoted to accounting; the annual report and distribution of profits; auditing and examinations; state regulations; taxation and special features. There is a bibliography covering four headings: general works; law; accounts and calculations; and proceedings and periodicals. The Appendix gives the constitution and by-laws under which associations operate in the states of Pennsylvania, Ohio and California. (*See next page.*)

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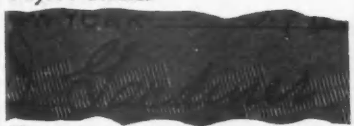

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The conclusions of Dr. Riegel and Dr. Doubman on regulation of building-and-loan associations by the State are significant. The present laws, they believe, should be codified according to some system and each State's statutes so arranged as to bring together the laws by subjects. At present, not only do important subjects frequently go without legislation but where regulations exist they are so dispersed as to make mental grasp thereof difficult and oversight easy. In some instances the law consists of individual statutes passed as much as thirty years apart, and early statutes are difficult to interpret in the light of later ones.

Such a system of codification, the authors maintain, would at once call attention to the absence of legislation on important phases of the business in many states. It would also throw into relief the wide diversity between the requirements of various States, and promote the elimination of such variations as are not justified by peculiar local conditions. Attention would also be directed to the illogical bases upon which many of the limitations of associations' actions rest, the effect of which is to nullify the probable intention of the legislators.

The field for such a book as this is wide. Nearly ten million persons are financially interested in building-and-loan associations. This form of economic organization controls five and one-half billion dollars of assets, is managed by 125,000 directors and officers, and operates in every state of the Union.

For Our Retail Friends

CREDIT BUREAU MANAGEMENT. J. R. Truesdale. Prentice-Hall, Inc., N. Y., 1927. 297 pp. $5.

This book states the case for the retail credit bureau. Its author is Secretary-Treasurer of the Credit Service Exchange of the organization formerly known as the Retail Credit Men's National Association, but now styled the National Retail Credit Association.

The volume is frankly promotional, and is well organized to accomplish its purpose. In order to meet the demand for more intelligent retail credit appraisal, to bring about greater efficiency in credit bureau administration and to assist unorganized cities to establish credit bureaus, the author records the experience of the older and more successful retail bureaus and also provides a complete set of retail credit forms.

There are four chief divisions of the material. Part I is introductory, and includes the history of the retail credit movement from the organization of the Mutual Communication Society of London about a century and a quarter ago. What was probably the first retail credit agency in the United States was established in Brooklyn, N. Y., in 1869. In point of continuous service, the Retail Dealers Protective Association of New York City, established in 1872, is the oldest in this country.

Part II deals with organization procedure, covering the various steps to be taken, services rendered, physical equipment and finances. Part III is concerned with operation. It discusses how, to whom and by whom the service should be sold; how information is secured; the functions covered by bulletin service, collection service and group service; the standard report and operative details. Part IV covers affiliation, state and national.

One statement made by Mr. Truesdale strikes a particularly responsive chord. Retail business, he says, perceived that the manufacturer and the wholesaler had safely accelerated credit but did not perceive clearly that safe credit demanded intelligent supervision and unstinted facilities for obtaining credit information. "All too frequently," says Mr. Truesdale, "the retailer who employed a ten-thousand dollar buyer would place at the head of his credits a fifteen-hundred-dollar clerk. The merchant had a new plaything and did not know what to do with it. Through competent personnel he made money, only to lose it through credits unintelligently administered."

The lack of balance between credit department and other salaries is as charac-

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teristic of the manufacturing, wholesale and banking fields as it is of retail enterprises. This is partly the credit manager's own fault. He had not sold himself and his position adequately to the executives above him. He has the best arguments in the world to support his case, but thus far he has not used them in such a way as to bring satisfactory results. There are signs, however, that he is beginning to make a stand for the importance of the credit manager's functions and responsibilities, and in this campaign, comments such as those made by Mr. Truesdale will be very helpful to wholesale as well as to retail credit managers.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912,

Of CREDIT MONTHLY, published monthly at New York, N. Y., for October 1, 1927.

STATE OF NEW YORK,
COUNTY OF NEW YORK, ss.

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Rodman Gilder, who, having been duly sworn according to law, deposes and says that he is the editor of the CREDIT MONTHLY, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publisher, National Assn. of Credit Men, 1 Park Avenue, New York City. Editor, Rodman Gilder, 1 Park Avenue, New York City. Managing Editor, None. Business Managers, None.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) National Association of Credit Men, a non-stock corporation with these officers: George J. Gruen, Gruen Watch Mfg. Co., Cincinnati, Ohio, President; J. F. Wood, Richmond Dry Goods Co., Richmond, Va., 1st Vice-President; J. H. Scales, Belknap Hdwre. & Mfg. Co., Louisville, Ky., 2nd Vice-President; Frank D. Rock, Armour & Co., Denver, Colo., 3rd Vice-President; J. H. Tregoe. One Park Avenue, New York, Executive Manager.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

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5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is ——— (This information is required from daily publications only.)

RODMAN GILDER,
Editor.

Sworn to and subscribed before me this 15th day of September, 1927.

RUTH E. HOCTOR,

(Seal) Notary Public, Kings County. Kings Co. Clerk's No. 262. Register's No. 8288. Certificate filed in New York County. N. Y. Co. Clerk's No. 762, Register's No. 8527. My commission expires March 30, 1928.

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